



# NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

## Solen Public School District No. 3

Solen, North Dakota

Audit Report for the Years Ended June 30, 2021 and June 30, 2020

Client Code: PS43320



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Office of the  
State Auditor

# SOLEN PUBLIC SCHOOL DISTRICT No. 3

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For the Years Ended June 30, 2021 and 2020

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# **SOLENS PUBLIC SCHOOL DISTRICT No. 3**

School Officials

June 30, 2021 and 2020

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## **SCHOOL OFFICIALS AT JUNE 30, 2021**

Maxine Thunder Hawk	President
Lynette Uses Arrow	Vice President
Madonna Red Bear	Board Member
Greta Conica	Board Member
Pete Red Tomahawk	Board Member
Shannon Thunderhawk	Board Member
Sue Isbell	Board Member
Justin Fryer	Superintendent
Melissa Eagle	Business Manager

## **SCHOOL OFFICIALS AT JUNE 30, 2020**

Maxine Thunder Hawk	President
Lynette Uses Arrow	Vice President
Madonna Red Bear	Board Member
Greta Conica	Board Member
Shannon Thunderhawk	Board Member
Sue Isbell	Board Member
Patti Kelly	Board Member
Justin Fryer	Superintendent
Melissa Eagle	Business Manager

STATE AUDITOR  
Joshua C. Gallion



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## INDEPENDENT AUDITOR'S REPORT

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Solen Public School Board  
Solen Public School District No. 3  
Solen, North Dakota

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Building Fund and we were engaged to audit the governmental activities and the General Fund of Solen Public School District No. 3 as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Solen Public School District No. 3's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matter described in the Basis for Disclaimer of Opinion on the 2021 and 2020 Governmental Activities and General Fund paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the governmental activities and the General Fund.

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.

Except for the matter described in the Basis for Disclaimer of Opinion on the 2021 and 2020 Governmental Activities and General Fund paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Summary of Opinions**

<b>Opinion Unit</b>	<b>Type of Opinion</b>
Building Fund – Fiscal Year 2021	Unmodified
Building Fund – Fiscal Year 2020	Qualified
General Fund – Fiscal Year 2021	Disclaimer
General Fund – Fiscal Year 2020	Disclaimer
Governmental Activities – Fiscal Year 2021	Disclaimer
Governmental Activities – Fiscal Year 2020	Disclaimer

***Basis for Disclaimer of Opinion on the 2021 and 2020 Governmental Activities and General Fund***

The Solen Public School District No. 3 does not maintain adequate accounting records to provide sufficient information for the preparation of the financial statements including the following:

- Material differences were noted between the clients general ledger and check register. Management could not provide support for differences in the amounts of \$488,969 and \$168,741 for 2020 and 2021, respectively. Additionally, Solen Public School District No. 3 could not provide supporting documentation for several invoices during 2020 and 2021 expenditure testing. The projected error of these unsupported amounts totaled \$481,621 and \$171,845 for 2020 and 2021, respectively.
- Unsupported prior period adjustments for July 1, 2019 for the general fund occurred. The general fund had an unsupported amount of \$634,573.
- Material unsupported adjustments were necessary within the General Fund for Transfers to balance between the Governmental Funds. The December 31, 2020 financial statements included a \$687,474 unsupported adjustment to Transfers to balance the amounts between funds.
- Solen Public School District No. 3 did not have supporting documentation for its miscellaneous revenue receipts that were tested totaling \$1,340,310 and \$996,798 for 2021 and 2020, respectively for the General Fund.

***Disclaimer of Opinion on the 2021 and 2020 Governmental Activities and General Fund***

Because of the significance of the matters described in the *Basis for Disclaimer of Opinion on the 2021 and 2020 Governmental Activities and General Fund* paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an opinion on the Governmental Activities and General Fund. Accordingly, we do not express an opinion on the Governmental Activities and General Fund of Solen Public School District No. 3 for the year ended June 30, 2021 and 2020.

***Basis for Qualified Opinion on the 2020 Building Fund***

The Solen Public School District No. 3 did not maintain support for prior period adjustments for July 1, 2019 that were recorded in the School District's general ledger software. The Building Fund had an unsupported adjustment for July 1, 2019 in the amount of \$127,808.

***Qualified Opinion on the 2020 Building Fund***

In our opinion, except for the matter described in the *Basis for Qualified Opinion on the 2020 Building Fund* paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Building Fund of the Solen Public School District No. 3 as June 30, 2020, and the respective changes in financial position in accordance with the modified cash basis of accounting.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Building Fund of Solen Public School District No. 3 as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with the modified cash basis of accounting.

***Basis of Accounting***

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

***Emphasis of Matter***

*Prior Period Restatement*

As discussed in Note 2 to the financial statements, the 2020 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

*Change in Accounting Principle*

As discussed in Note 2 to the financial statements, Solen Public School District No. 3 adopted new accounting guidance, GASB Statement No. 84, Fiduciary Activities. Our opinion is not modified with respect to this matter.

***Other Matters***

*Other Information*

We were engaged for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards and notes to 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 (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and is not a required part of the financial statements. Because of the significance of the matter described above in the Basis for Disclaimer of Opinion on the 2021 and 2020 Governmental Activities and General Fund paragraph, it is inappropriate to, and we do not express an opinion on the supplementary information referred to above.

***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our Report Dated May 25, 2023 on our consideration of the Solen Public School District No. 3'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 Solen Public School District No. 3'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 Solen Public School District No. 3's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
May 25, 2023

**SOLEN PUBLIC SCHOOL DISTRICT No. 3**

Statement of Net Position – Modified Cash Basis

June 30, 2021

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 1,761,524
Capital Assets	
Depreciable, Net	<u>7,087,906</u>
Total Assets	<u>\$ 8,849,430</u>
<b>LIABILITIES</b>	
Long Term Liabilities	
Due Within One Year	
Long-Term Debt	\$ 53,804
Due Outside One Year	
Long-Term Debt	<u>292,047</u>
Total Liabilities	<u>\$ 345,851</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	\$ 6,742,055
Restricted for	
Capital Projects	1,205
Unrestricted	<u>1,760,319</u>
Total Net Position	<u>\$ 8,503,579</u>

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

**SOLE PUBLIC SCHOOL DISTRICT No. 3**

Statement of Activities – Modified Cash Basis  
 For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities</b>				
Regular Instruction	\$ 1,722,790	\$ -	\$ -	\$ (1,722,790)
Special Education	305,351	-	-	(305,351)
Federal Programs	1,087,830	1,503,829	246,324	662,323
District Wide Services	11,405	-	-	(11,405)
Administration	478,995	-	-	(478,995)
School Food Services	265,848	-	-	(265,848)
Operations and Maintenance	730,762	-	-	(730,762)
Transportation	293,443	-	-	(293,443)
Co-curricular Activities	83,998	-	-	(83,998)
Other Programs & Services	1,088,044	-	-	(1,088,044)
<b>Total Governmental Activities</b>	<b>\$ 6,068,466</b>	<b>\$ 1,503,829</b>	<b>\$ 246,324</b>	<b>\$ (4,318,313)</b>
<b>General Revenues</b>				
Property Taxes				\$ 179,341
Unrestricted State Aid				2,609,917
Miscellaneous Revenue				1,617,872
<b>Total General Revenues</b>				<b>\$ 4,407,130</b>
<b>Changes in Net Position</b>				<b>\$ 88,817</b>
<b>Net Position - July 1</b>				<b>\$ 8,414,762</b>
<b>Net Position - June 30</b>				<b>\$ 8,503,579</b>

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



**SOLENS PUBLIC SCHOOL DISTRICT No. 3**  
 Balance Sheet – Governmental Funds – Modified Cash Basis  
 June 30, 2021

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	General	Building Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash	<u>\$ 1,760,319</u>	<u>\$ 1,205</u>	<u>\$ 1,761,524</u>
<b>FUND BALANCES</b>			
Restricted			
Capital Projects	\$ -	\$ 1,205	\$ 1,205
Unassigned			
General Fund	<u>1,760,319</u>	<u>-</u>	<u>1,760,319</u>
Total Fund Balances	<u>\$ 1,760,319</u>	<u>\$ 1,205</u>	<u>\$ 1,761,524</u>
Total Liabilities and Fund Balances	<u>\$ 1,760,319</u>	<u>\$ 1,205</u>	<u>\$ 1,761,524</u>

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

**SOLEN PUBLIC SCHOOL DISTRICT No. 3**

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

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**Total Fund Balances for Governmental Funds** \$ 1,761,524

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds. 7,087,906

Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term are reported in the statement of net position.

Long Term Debt (345,851)

**Total Net Position of Governmental Activities** \$ 8,503,579

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

**SOLE PUBLIC SCHOOL DISTRICT No. 3**

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Modified Cash Basis  
 For the Year Ended June 30, 2021

	General	Building Fund	Total Governmental Funds
<b>REVENUES</b>			
Local Sources	\$ 179,341	\$ -	\$ 179,341
State Sources	2,609,917	-	2,609,917
Federal Sources	1,750,153	-	1,750,153
Other Sources	1,617,872	-	1,617,872
<b>Total Revenues</b>	<b>\$ 6,157,283</b>	<b>\$ -</b>	<b>\$ 6,157,283</b>
<b>EXPENDITURES</b>			
Regular Instruction	\$ 1,643,753	\$ -	\$ 1,643,753
Special Education	304,934	-	304,934
Federal Programs	1,087,830	-	1,087,830
District Wide Services	11,405	-	11,405
Administration	475,495	-	475,495
School Food Services	265,848	-	265,848
Operations and Maintenance	438,519	295,659	734,178
Transportation	285,379	-	285,379
Co-curricular Activities	69,761	-	69,761
Other Programs and Services	1,088,044	-	1,088,044
<b>Total Expenditures</b>	<b>\$ 5,670,968</b>	<b>\$ 295,659</b>	<b>\$ 5,966,627</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 486,315	\$ (295,659)	\$ 190,656
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	\$ -	\$ 44,000	\$ 44,000
Transfers Out	(44,000)	-	(44,000)
<b>Total Other Financing Sources and Uses</b>	<b>\$ (44,000)</b>	<b>\$ 44,000</b>	<b>\$ -</b>
<b>Net Change in Fund Balances</b>	<b>\$ 442,315</b>	<b>\$ (251,659)</b>	<b>\$ 190,656</b>
Fund Balances - July 1	\$ 1,318,004	\$ 252,864	\$ 1,570,868
Fund Balances - June 30	\$ 1,760,319	\$ 1,205	\$ 1,761,524

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

**SOLENS PUBLIC SCHOOL DISTRICT No. 3**

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

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**Net Change in *Fund Balances* - Total Governmental Funds** \$ 190,656

The change in net position reported for governmental activities in the statement of activities is different because:

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

Capital Outlay	\$ 61,341	
Depreciation Expense	<u>(163,180)</u>	<u>(101,839)</u>

**Change in Net Position of Governmental Activities** \$ 88,817

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

**SOLENS PUBLIC SCHOOL DISTRICT No. 3**

Statement of Net Position – Modified Cash Basis

June 30, 2020

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 1,570,868
Capital Assets	
Depreciable, Net	<u>7,189,745</u>
Total Assets	<u>\$ 8,760,613</u>
<b>LIABILITIES</b>	
Long Term Liabilities	
Due Outside One Year	
Long-Term Debt	<u>\$ 345,851</u>
Total Liabilities	<u>\$ 345,851</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	\$ 6,843,894
Restricted for	
Capital Projects	252,864
Unrestricted	<u>1,318,004</u>
Total Net Position	<u>\$ 8,414,762</u>

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

**SOLE PUBLIC SCHOOL DISTRICT No. 3**

Statement of Activities – Modified Cash Basis

For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities</b>				
Regular Instruction	\$ 1,907,535	\$ -	\$ -	\$ (1,907,535)
Special Education	401,411	15,826	-	(385,585)
Federal Programs	899,993	538,913	4,761,800	4,400,720
District Wide Services	14,062	-	-	(14,062)
Administration	566,086	-	-	(566,086)
School Food Services	231,248	-	-	(231,248)
Operations and Maintenance	392,237	-	-	(392,237)
Transportation	300,926	7,998	-	(292,928)
Co-curricular Activities	122,910	-	-	(122,910)
Other Programs & Services	386,759	7,442	-	(379,317)
Interest and Fees on Long-Term Debt	9,136	-	-	(9,136)
<b>Total Governmental Activities</b>	<b>\$ 5,232,303</b>	<b>\$ 570,179</b>	<b>\$ 4,761,800</b>	<b>\$ 99,676</b>
<b>General Revenues</b>				
Property Taxes				\$ 159,155
Unrestricted State Aid				2,241,526
Interest Earnings				233
Miscellaneous Revenue				1,456,550
<b>Total General Revenues</b>				<b>\$ 3,857,464</b>
<b>Changes in Net Position</b>				<b>\$ 3,957,140</b>
<b>Net Position - July 1</b>				<b>\$ 3,694,091</b>
<b>Prior Period Adjustment</b>				<b>\$ 763,531</b>
<b>Net Position - July 1, as restated</b>				<b>\$ 4,457,622</b>
<b>Net Position - June 30</b>				<b>\$ 8,414,762</b>

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

**SOLENS PUBLIC SCHOOL DISTRICT No. 3**

Balance Sheet – Governmental Funds – Modified Cash Basis  
June 30, 2020

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	General	Building Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 1,318,004	\$ 252,864	\$ 1,570,868
<b>FUND BALANCES</b>			
Restricted			
Capital Projects	\$ -	\$ 252,864	\$ 252,864
Unassigned	1,318,004	-	1,318,004
Total Fund Balances	\$ 1,318,004	\$ 252,864	\$ 1,570,868
Total Liabilities and Fund Balances	\$ 1,318,004	\$ 252,864	\$ 1,570,868

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

**SOLEN PUBLIC SCHOOL DISTRICT No. 3**

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

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**Total Fund Balances for Governmental Funds** \$ 1,570,868

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds. 7,189,745

Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term are reported in the statement of net position.

Long Term Debt (345,851)

**Total Net Position of Governmental Activities** \$ 8,414,762

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



### SOLENS PUBLIC SCHOOL DISTRICT No. 3

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Modified Cash Basis  
For the Year Ended June 30, 2020

	General	Building Fund	Johnson O'Malley Fund	Total Governmental Funds
<b>REVENUES</b>				
Local Sources	\$ 159,387	\$ -	\$ -	\$ 159,387
State Sources	2,272,791	-	-	2,272,791
Federal Sources	5,300,713	-	-	5,300,713
Other Sources	1,456,553	-	-	1,456,553
<b>Total Revenues</b>	<b>\$ 9,189,444</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,189,444</b>
<b>EXPENDITURES</b>				
Regular Instruction	\$ 1,585,892	\$ -	\$ -	\$ 1,585,892
Special Education	400,994	-	-	400,994
Federal Programs	899,993	-	-	899,993
District Wide Services	14,062	-	-	14,062
Administration	562,586	-	-	562,586
School Food Services	231,248	-	-	231,248
Operations and Maintenance	388,487	-	-	388,487
Transportation	262,097	-	-	262,097
Co-curricular Activities	108,673	-	-	108,673
Other Programs and Services	386,759	-	-	386,759
Capital Outlay	-	5,442,267	-	5,442,267
Debt Service				
Principal	54,149	-	-	54,149
Interest	9,136	-	-	9,136
<b>Total Expenditures</b>	<b>\$ 4,904,076</b>	<b>\$ 5,442,267</b>	<b>\$ -</b>	<b>\$ 10,346,343</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 4,285,368	\$ (5,442,267)	\$ -	\$ (1,156,899)
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond Proceeds	\$ 400,000	\$ -	\$ -	\$ 400,000
Transfers In	-	4,851,698	-	4,851,698
Transfers Out	(4,851,698)	-	-	(4,851,698)
<b>Total Other Financing Sources and Uses</b>	<b>\$ (4,451,698)</b>	<b>\$ 4,851,698</b>	<b>\$ -</b>	<b>\$ 400,000</b>
<b>Net Change in Fund Balances</b>	<b>\$ (166,330)</b>	<b>\$ (590,569)</b>	<b>\$ -</b>	<b>\$ (756,899)</b>
Fund Balances - July 1	\$ 845,064	\$ 715,625	\$ 3,547	\$ 1,564,236
Prior Period Adjustment	\$ 639,270	\$ 127,808	\$ (3,547)	\$ 763,531
Fund Balances - July 1 Restated	\$ 1,484,334	\$ 843,433	\$ -	\$ 2,327,767
Fund Balances - June 30	\$ 1,318,004	\$ 252,864	\$ -	\$ 1,570,868

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

**SOLENS PUBLIC SCHOOL DISTRICT No. 3**

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

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**Net Change in Fund Balances - Total Governmental Funds** \$ (756,899)

The change in net position reported for governmental activities in the statement of activities is different because:

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

Capital Outlay	\$ 5,216,936	
Depreciation Expense	<u>(157,046)</u>	5,059,890

The proceeds of debt issuances are reported as other financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities.

Debt Issuance	\$ (400,000)	
Repayment of Debt	<u>54,149</u>	<u>(345,851)</u>

**Change in Net Position of Governmental Activities** \$ 3,957,140

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

# SOLENS PUBLIC SCHOOL DISTRICT No. 3

Notes to the Financial Statements

For the Years Ended June 30, 2021 and 2020

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## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Solen Public School District No. 3 (hereafter referred to as "School District") have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

### Reporting Entity

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

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

### Basis of Presentation

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

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

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

The School District reports the following major governmental funds:

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

*Building Fund* - This fund is used to account for financial resources to be used for acquisition or construction of a new school facility.

### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

*Government-wide Financial Statements.* The government-wide financial statements are reported using the economic resources measurement focus, within the limitations of the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred.

## **SOLENS PUBLIC SCHOOL DISTRICT No. 3**

### Notes to the Financial Statements – Continued

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This basis differs from accounting principles generally accepted in the United States of America because accounts receivable, accounts payable, and accrued expenses are not included in the financial statements. Only capital assets with a provision for depreciation expense and long-term debt are recorded under the basis of accounting described above on the statement of net position. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

#### **Cash**

Cash includes amounts in demand deposits and money market accounts.

#### **Capital Assets**

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

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

Buildings	50-100
Vehicles	5-15
Equipment	5-15

#### **Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

In the fund financial statements, the face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs are reported as debt service expenditures.

#### **Pension**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Teachers' Fund for Retirement (TFFR), and of the North Dakota Public Employee's System (NDPERS), and additions to/deductions from TFFR's/NDPER's fiduciary net position have been determined on the same basis as they are reported by TFFR/NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit term. Investments are reported at fair value. The net pension liability is not reported under the modified cash basis of accounting, but the information is disclosed in the pension note disclosure. Note 6, is shown as additional information to the users of the financial statements.

#### **Other Post-Employment Benefits (OPEB)**

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

#### **Fund Balances**

# SOLEN PUBLIC SCHOOL DISTRICT No. 3

## Notes to the Financial Statements – Continued

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

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

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

### Net Position

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

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

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

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

### Interfund Transactions

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

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

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

### NOTE 2 PRIOR PERIOD ADJUSTMENTS

#### Prior Period Adjustments and Implementation of New Accounting Standard – GASB 84 – Fiduciary Activities:

Solen Public School District No. 3 adopted new accounting guidance, GASB Statement No. 84, Fiduciary Activities during 2020. The result of implementing GASB 84 increased beginning net position for the School District by \$1,150 and beginning fund balance of the General Fund by a total of \$4,697. Additionally, adjustments were necessary to restate the beginning fund balances for the General Fund and Building Fund due to errors identified when switching accounting software. Adjustments are as follows:

	Governmental Activities	General Fund	Building Fund	JOM Fund
Beginning Net Position/Fund Balance, as previously reported	\$ 3,694,091	\$ 845,064	\$ 715,625	\$ 3,547
<b>Adjustments to restate the July 1, 2019 Fund Balance and Net Position:</b>				
Prior Period Errors	762,381	634,573	127,808	-
Reclassification of Funds	1,150	4,697	-	(3,547)
Fund Balance July 1, 2019, as restated	\$ 4,457,622	\$ 1,484,334	\$ 843,433	\$ -

## **SOLENS PUBLIC SCHOOL DISTRICT No. 3**

Notes to the Financial Statements – Continued

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### **NOTE 3 DEPOSITS**

#### **Custodial Credit Risk**

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

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

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

At year ended June 30, 2021, the School District's carrying amount of deposits totaled \$1,761,523, and the bank balances totaled \$1,849,448. Of the bank balances, \$500,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended June 30, 2020, the School District's carrying amount of deposits totaled \$1,570,868, and the bank balances totaled \$1,663,182. Of the bank balances, \$500,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

### **NOTE 4 PROPERTY TAXES**

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

### **NOTE 5 TRANSFERS**

Transfers are used to move unrestricted general revenue to finance programs that are accounted for in other funds in accordance with budget authority and to subsidize other programs.

**SOLE PUBLIC SCHOOL DISTRICT No. 3**

Notes to the Financial Statements – Continued

**NOTE 6 CAPITAL ASSETS**

**Primary Government**

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

<b>Governmental Activities</b>	<b>Balance Jul 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Jun 30</b>
Capital Assets Being Depreciated				
Vehicles	\$ 538,325	\$ 34,183	\$ -	\$ 572,508
Equipment/Furniture	146,565	27,158	-	173,723
Buildings	6,930,506	-	-	6,930,506
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 7,615,396</b>	<b>\$ 61,341</b>	<b>\$ -</b>	<b>\$ 7,676,737</b>
Less Accumulated Depreciation				
Vehicles	\$ 280,269	\$ 53,820	\$ -	\$ 334,089
Equipment/Furniture	52,975	16,953	-	69,928
Buildings	92,407	92,407	-	184,814
<b>Total Accumulated Depreciation</b>	<b>\$ 425,651</b>	<b>\$ 163,180</b>	<b>\$ -</b>	<b>\$ 588,831</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 7,189,745</b>	<b>\$ (101,839)</b>	<b>\$ -</b>	<b>\$ 7,087,906</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 7,189,745</b>	<b>\$ (101,839)</b>	<b>\$ -</b>	<b>\$ 7,087,906</b>

Depreciation expense was charged to functions of the School as follows:

Regular Instruction	\$ 98,233
Special Education	417
Administration	3,500
Operations/Maintenance	4,546
Transportation	42,247
Co-Curricular	14,237
<b>Total Depreciation Expense</b>	<b>\$ 163,180</b>

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

<b>Governmental Activities</b>	<b>Balance Jul 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance Jun 30</b>
Capital Assets Not Being Depreciated					
Construction in Progress	\$ 1,713,569	\$ 5,216,937	\$ -	\$ (6,930,506)	\$ -
Capital Assets Being Depreciated					
Vehicles	\$ 538,325	\$ -	\$ -	\$ -	\$ 538,325
Equipment/Furniture	146,565	-	-	-	146,565
Buildings	-	-	-	6,930,506	6,930,506
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 684,890</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,930,506</b>	<b>\$ 7,615,396</b>
Less Accumulated Depreciation					
Vehicles	\$ 229,867	\$ 50,402	\$ -	\$ -	\$ 280,269
Equipment/Furniture	38,737	14,238	-	-	52,975
Buildings	-	92,407	-	-	92,407
<b>Total Accumulated Depreciation</b>	<b>\$ 268,604</b>	<b>\$ 157,047</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 425,651</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 416,286</b>	<b>\$ (157,047)</b>	<b>\$ -</b>	<b>\$ 6,930,506</b>	<b>\$ 7,189,745</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 2,129,855</b>	<b>\$ 5,059,890</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,189,745</b>

**SOLENS PUBLIC SCHOOL DISTRICT No. 3**

Notes to the Financial Statements – Continued

Depreciation expense was charged to functions of the School as follows:

Regular Instruction	\$ 96,313
Special Education	417
Administration	3,500
Operations/Maintenance	3,750
Transportation	38,829
Co-Curricular	14,238
<b>Total Depreciation Expense</b>	<b>\$ 157,047</b>

**NOTE 7 LONG-TERM LIABILITIES**

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

<b>2021</b>	<b>Balance July 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30</b>	<b>Due Within One Year</b>
Long Term Debt					
Certificate of Indebtedness	\$ 345,851	\$ -	\$ -	\$ 345,851	\$ 53,804
<b>Total Long Term Debt</b>	<b>\$ 345,851</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 345,851</b>	<b>\$ 53,804</b>

<b>2020</b>	<b>Balance July 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30</b>	<b>Due Within One Year</b>
Long Term Debt					
Certificate of Indebtedness	\$ -	\$ 400,000	\$ 54,149	\$ 345,851	\$ -
<b>Total Long Term Debt</b>	<b>\$ -</b>	<b>\$ 400,000</b>	<b>\$ 54,149</b>	<b>\$ 345,851</b>	<b>\$ -</b>

Debt service requirements on long-term debt at June 30, 2021 are as follows:

<b>Year Ending June 30</b>	<b>Governmental Activities</b>	
	<b>Certificate of Indebtedness</b>	
	<b>Principal</b>	<b>Interest</b>
2022	53,804	9,511
2023	55,284	8,031
2024	56,804	6,511
2025	58,366	4,949
2026	59,972	3,344
2027-2031	61,621	1,695
<b>Total</b>	<b>\$ 345,851</b>	<b>\$ 34,041</b>

**NOTE 8 OPERATING LEASES**

The School District is engaged in various operating leases Total lease payments made during fiscal year 2021 and 2020 totaled \$8,667 and \$8,667, respectively. Future lease payments are as follows:

<b>Year Ending June 30</b>	<b>Operating Lease</b>
2022	\$ 8,667
2023	8,667
2024	8,667
2025	5,778
<b>Total</b>	<b>\$ 31,779</b>



## **SOLEN PUBLIC SCHOOL DISTRICT No. 3**

Notes to the Financial Statements – Continued

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### **NOTE 9 PENSION PLANS**

#### **General Information about the TFFR Pension Plan**

##### **North Dakota Teachers' Fund for Retirement TFFR**

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

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

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

#### **Pension Benefits**

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

##### *Tier 1 Grandfathered*

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

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

##### *Tier 1 Non-grandfathered*

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

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

## SOLEN PUBLIC SCHOOL DISTRICT No. 3

### Notes to the Financial Statements – Continued

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#### Tier 2

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

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

#### Death and Disability Benefits

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

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

#### Member and Employer Contributions

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

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

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

If reporting on the full accrual basis of accounting, at June 30, 2021 and June 30, 2020, the School District would report the following net pension liabilities for its proportionate share of net pension liability:

	<b>Net Pension Liability</b>
2021	\$ 2,977,546
2020	3,234,818

The net pension liability was measured as of June 30, 2020 and June 30, 2019 respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

## SOLEN PUBLIC SCHOOL DISTRICT No. 3

### Notes to the Financial Statements – Continued

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The proportion of the net pension liability was based on its respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2021 and June 30, 2020, the entity had the following proportions and changes in proportions:

	<b>Proportion</b>	<b>Increase (Decrease) in Proportion from June 30, 2020 and 2019 Measurement</b>
2021	0.194547%	-0.040328%
2020	0.234875%	-0.000216%

There were no deferred inflows or outflows of resources reported on the School District's financial statements as they are reporting on the modified cash basis of accounting.

### Actuarial Assumptions

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

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

For active and inactive members, mortality rates were based on the PubT-2010 Employee table, projected with generational improvement using Scale MP-2019. For healthy retirees, mortality rates were based on 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019. For disability retirees, mortality rates were based on the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019. The actuarial assumptions used were based on the results of an actuarial experience study dated March 19, 2020. They are the same as the assumptions used in the July 1, 2020, funding actuarial valuation for TFFR.

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

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

### SOLENS PUBLIC SCHOOL DISTRICT No. 3

#### Notes to the Financial Statements – Continued

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

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

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

#### Discount Rate

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

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the 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 (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
School’s Proportionate Share of the Net Pension Liability	\$ 3,965,932	\$ 2,977,546	\$ 2,156,147

#### Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued TFFR financial report. TFFR’s Comprehensive Annual Financial Report (CAFR) is located at <https://www.rio.nd.gov/teachers-fund-retirement-employers>

## **SOLENS PUBLIC SCHOOL DISTRICT No. 3**

Notes to the Financial Statements – Continued

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### **General Information about the NDPERS Pension Plan**

#### **North Dakota Public Employees Retirement System (Main System)**

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

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

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

#### **Pension Benefits**

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

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

#### **Death and Disability Benefits**

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

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

#### **Refunds of Member Account Balance**

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

## SOLEN PUBLIC SCHOOL DISTRICT No. 3

Notes to the Financial Statements – Continued

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### 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

If reporting on the full accrual basis of accounting, at June 30, 2021 and June 30, 2020, the School District would report the following net pension liabilities for its proportionate share of net pension liability:

	Net Pension Liability
2021	\$ 1,701,526
2020	601,918

The net pension liability was measured as of June 30, 2020 and June 30, 2019 respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on its respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2021 and June 30, 2020, the entity had the following proportions and changes in proportions:

	Proportion	Increase (Decrease) in Proportion from June 30, 2020 and 2019 Measurement
2021	0.054085%	0.002730%
2020	0.051355%	0.006822%

There were no deferred inflows or outflows of resources reported on the School District's financial statements as they are reporting on the modified cash basis of accounting.

### Actuarial Assumptions

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

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

## SOLENS PUBLIC SCHOOL DISTRICT No. 3

### Notes to the Financial Statements – Continued

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

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

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

#### Discount Rate

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

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

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

#### Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 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 (3.64%)	Current Discount Rate (4.64%)	1% Increase (5.64%)
School's Proportionate Share of the Net Pension Liability	\$ 2,207,602	\$ 1,701,526	\$ 1,287,432

## **SOLENS PUBLIC SCHOOL DISTRICT No. 3**

Notes to the Financial Statements – Continued

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### **Pension Plan Fiduciary Net Position**

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

### **NOTE 10 OPEB PLAN**

#### **General Information about the OPEB Plan**

##### **North Dakota Public Employees Retirement System**

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

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

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

##### **OPEB Benefits**

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

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.



### SOLENS PUBLIC SCHOOL DISTRICT No. 3

Notes to the Financial Statements – Continued

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

If reporting on the full accrual basis of accounting, at June 30, 2021 and June 30, 2020, the School District would report the following net OPEB liabilities for its proportionate share of net OPEB liability:

	<b>Net OPEB Liability</b>
2021	\$ 44,025
2020	38,449

The net OPEB liability was measured as of June 30, 2020 and June 30, 2019 respectively, and the total OPEB liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net OPEB liability was based on its respective share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2021 and June 30, 2020, the entity had the following proportions and changes in proportions:

	<b>Proportion</b>	<b>Increase (Decrease) in Proportion from June 30, 2020 and 2019 Measurement</b>
2021	0.052336%	0.004465%
2020	0.047871%	0.006061%

There were no deferred inflows or outflows of resources reported on the School District's financial statements as they are reporting on the modified cash basis of accounting.

#### 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:

**SOLE PUBLIC SCHOOL DISTRICT No. 3**

Notes to the Financial Statements – Continued

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

**Discount rate**

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

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

The following presents the net OPEB liability of the Plans as of June 30, 2021, calculated using the discount rate of 5.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	<b>1% Decrease (5.50%)</b>	<b>Current Discount Rate (6.50%)</b>	<b>1% Increase (7.50%)</b>
School’s Proportionate Share of the Net OPEB Liability	\$ 57,740	\$ 44,025	\$ 32,427

**NOTE 11 RISK MANAGEMENT**

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

In 1986 state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The School District pays an annual premium to NDRIF for its general liability, automobile insurance coverage and inland marine. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability and automobile, and \$198,046 for fiscal year 2021 and \$92,546 for fiscal year 2020 for public assets/personal property.

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

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

## **SOLENS PUBLIC SCHOOL DISTRICT No. 3**

Notes to the Financial Statements – Continued

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### **NOTE 12      SUBSEQUENT EVENT - IRS TAX LIEN**

During August of 2018 Solen Public School District learned that it owed the IRS a significant amount of money. The district has worked diligently to make a good faith effort to correct this issue. After June 30, 2021, the school district was only liable for the remaining interest payments in the amount of \$457,301. To date the school district does not owe any more interest or penalties to the IRS as the last interest payment of \$457,301 was paid on December 20, 2022.

# SOLENS PUBLIC SCHOOL DISTRICT No. 3

Schedule of Expenditures of Federal Awards  
For the Years Ended June 30, 2021 and 2020

Assistance Listing Number	Program Title	Pass-Through Grantor's Number	Fiscal Year 2021 Expenditures	Fiscal Year 2020 Expenditures	Total Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
Passed through the North Dakota State Department of Public Instruction					
Child Nutrition Cluster					
10.553	School Breakfast Program	F10553	\$ -	\$ 33,680	\$ 33,680
10.555	National School Lunch Program - Cash	F10555	-	89,820	89,820
10.555	National School Lunch Program - Commodities*	F10555	7,394	8,529	15,923
10.559	Summer Food Service Program for Children	F10559	106,521	58,325	164,846
Total Child Nutrition Cluster			\$ 113,915	\$ 190,354	\$ 304,269
10.560	State Administrative Expenses for Child Nutrition	F10560A	\$ 1,079	\$ 2,436	\$ 3,515
10.579B	Child Nutrition Discretionary Grants Limited Availability	F10575	-	16,065	16,065
10.582	Fresh Fruit and Vegetable Program	F10582	1,107	4,397	5,504
Total U.S. Department of Agriculture			\$ 116,101	\$ 213,252	\$ 329,353
<b>U.S. DEPARTMENT OF EDUCATION</b>					
Direct Assistance					
84.041	Impact Aid	N/A	\$ 1,621,356	\$ 5,712,500	\$ 7,333,856
Total Direct Assistance			\$ 1,621,356	\$ 5,712,500	\$ 7,333,856
Passed through the North Dakota State Department of Public Instruction					
84.010	Title I - Grants to Local Education Agencies	F84010	\$ 390,618	\$ 432,447	\$ 823,065
84.358	Rural Education	F84358	4,098	4,300	8,398
84.367A	Supporting Effective Instruction State Grants	F84367A	60,914	79,064	139,978
21.019	COVID-19 - Coronavirus Relief Fund	F21019	154,097	-	154,097
84.424A	Student Support and Academic Enrichment Program	F84424A	59,622	59,339	118,961
84.425D	COVID 19 - Education Stabilization Fund	F84425D	64,528	245,710	310,238
Total U.S. Department of Education			\$ 2,355,233	\$ 6,533,360	\$ 8,888,593
Total Expenditures of Federal Awards			\$ 2,471,334	\$ 6,746,612	\$ 9,217,946

\* - Noncash assistance

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

## **SOLENS PUBLIC SCHOOL DISTRICT No. 3**

Notes to the Schedule of Expenditures of Federal Awards  
For the Years Ended June 30, 2021 and 2020

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### **NOTE 1 BASIS OF PRESENTATION / ACCOUNTING**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School District under programs of the federal government for the years ended June 30, 2021 and 2020. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the School District. Expenditures represent only the federally funded portions of the program. School District records should be consulted to determine amounts expended or matched from non-federal sources.

### **NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **NOTE 3 NON-CASH AWARDS**

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

### **NOTE 4 PASS-THROUGH GRANT NUMBER**

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

### **NOTE 5 INDIRECT COST RATE**

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

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

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### Independent Auditor's Report

Solen Public School Board  
Solen Public School District No. 3  
Solen, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the accompanying financial statements of the Building Fund and we were engaged to audit the governmental activities and the General Fund of Solen Public School District No. 3 as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Solen Public School District No. 3's basic financial statements, and have issued our report thereon dated May 25, 2023. Our report disclaims an opinion on the governmental activities and the General Fund because the School District did not maintain adequate accounting records for revenues, expenditures, and opening balance adjustments to provide sufficient information for the preparation of the financial statements.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Solen Public School District No. 3's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Solen Public School District No. 3's internal control. Accordingly, we do not express an opinion on the effectiveness of the Solen Public School District No. 3's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying *schedule of findings and questioned costs* as items 2021-001 through 2021-013 that we consider to be material weaknesses.

**SOLENS PUBLIC SCHOOL DISTRICT No. 3**

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

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Solen Public School District No. 3's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *schedule of audit findings and questioned costs* as items 2021-007, 2021-008, 2021-0011, and 2021-012.

**Solen Public School District No. 3's Response to Findings**

Solen Public School District No. 3's response to the findings identified in our audit is described in the accompanying *schedule of audit findings and questioned costs* and *corrective action plan*. Solen Public School District No. 3's responses were not subjected 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
May 25, 2023

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

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### Independent Auditor's Report

Solen Public School Board  
Solen Public School District No. 3  
Solen, North Dakota

#### **Report on Compliance for Each Major Federal Program**

We have audited Solen Public School District No. 3's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Solen Public School District No. 3's major federal programs for the years ended June 30, 2021 and 2020. Solen Public School District No. 3's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

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

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the Solen Public School District No. 3's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Solen Public School District No. 3's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the Solen Public School District No. 3's compliance.

#### **Basis for Qualified Opinion on Impact Aid**

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of Solen Public School District No. 3 with ALN 84.041 Impact Aid as described in findings number *2021-014* for *Special Tests*, consequently we were unable to determine whether Solen Public School District No. 3 complied with those requirements applicable to that program.



## **SOLENS PUBLIC SCHOOL DISTRICT No. 3**

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

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### **Qualified Opinion on Impact Aid**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Solen Public School District No. 3 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Impact Aid program for the years ended June 30, 2021 and 2020.

### **Basis for Qualified Opinion on Title I**

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of Solen Public School District No. 3 with ALN 84.010 Title I as described in findings number 2021-016 for *Activities Allowed or Unallowed Allowable Costs/Cost Principles* and 2021-017 for *Reporting*, consequently we were unable to determine whether Solen Public School District No. 3 complied with those requirements applicable to that program.

### **Qualified Opinion on Title I**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Solen Public School District No. 3 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Impact Aid program for the years ended June 30, 2021 and 2020.

### **Other Matters**

The results of our auditing procedures disclosed an other instance of noncompliance, which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-019. Our opinion on each major federal program is not modified with respect to this matter.

The Solen Public School District No. 3's responses to the noncompliance findings identified in our audit are described in the accompanying *schedule of findings and questioned costs and corrective action plan*. The Solen Public School District No. 3's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **Report on Internal Control over Compliance**

Management of Solen Public School District No. 3 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Solen Public School District No. 3'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 Solen Public School District No. 3's internal control over compliance.

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

**SOLEN PUBLIC SCHOOL DISTRICT No. 3**

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

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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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of audit findings and questioned costs as items 2021-014, 2021-015, 2021-016, and 2021-017 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of audit findings and questioned costs as item 2021-018 to be a significant deficiency.

Solen Public School District No.3's response to the internal control over compliance findings identified in our audit is described in the accompanying *Management's Corrective Action Plan*. Solen Public School District No. 3's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
May 25, 2023

**SOLE PUBLIC SCHOOL DISTRICT No. 3**

Summary of Auditor's Results  
 For the Years Ended June 30, 2021 and 2020

**Financial Statements**

**Type of Report Issued:**

Opinion Unit	Type of Opinion
Building Fund – Fiscal Year 2021	Unmodified
Building Fund – Fiscal Year 2020	Qualified
General Fund – Fiscal Year 2021	Disclaimer
General Fund – Fiscal Year 2020	Disclaimer
Governmental Activities – Fiscal Year 2021	Disclaimer
Governmental Activities – Fiscal Year 2020	Disclaimer

**Internal control over financial reporting**

Material weaknesses identified?  X  Yes   None Noted

Significant deficiencies identified not considered to be material weaknesses?   Yes  X  None Noted

Noncompliance material to financial statements noted?  X  Yes   None Noted

**Federal Awards**

Internal Control Over Major Programs

Material weaknesses identified?  X  Yes   None noted

Reportable conditions identified not considered to be material weaknesses?  X  Yes   None noted

Type of auditor's report issued on compliance for major programs:  
 Impact Aid – ALN 84.041  Qualified   
 Title I – Grants to Local Education Agencies - ALN 84.010  Qualified

Any audit findings disclosed that are required to be reported in accordance with CFR §200.516 (Uniform Guidance) requirements?  X  Yes   None noted

**Identification of Major Programs**

CFDA Number	Name of Federal Program or Cluster
84.041	Impact Aid
84.010	Title I – Grants to Local Education Agencies

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

Auditee qualified as low-risk auditee?   Yes  X  No

# SOLENS PUBLIC SCHOOL DISTRICT No. 3

Schedule of Audit Findings and Questioned Costs  
For the Years Ended June 30, 2021 and 2020

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## Section I - Financial Statement Findings

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### 2021-001 PRIOR PERIOD ERRORS – MATERIAL WEAKNESS

#### Condition

During testing, it was found that Solen Public School No. 3 had unsupported prior period adjustments to fund balance which also effected opening balance Net Position. Management could not provide support for these opening balance adjustments that were found in the clients software.

Prior Period Adjustments are listed below:

June 30, 2020 Fund	Prior Period Adjustments
General Fund	\$ 634,573
Building Fund	127,808
Total Fund Balance/Net Position Adjustment	\$ 762,381

#### Effect

There is an increased risk of material misstatement of the Solen Public School District No.3's financial statements whether due to fraud or error. Furthermore, Solen Public School District No. 3 received a modified opinion on the financial statements of the governmental activities, and each major fund.

#### Cause

Solen Public School District No. 3 had turnover of accounting staff responsible for the general ledger, which included errors that were not corrected prior to audit fieldwork.

#### Criteria

Solen Public School District No. 3 is responsible for the adjusting entries to its annual financial statements and to ensure the financial statements are reliable, accurate, free of material misstatement, and in accordance with the modified cash basis of accounting.

#### Prior Recommendation

No.

#### Recommendation

We recommend Solen Public School District No. 3 review the financial statement adjustments and maintain support for any future adjustments.

#### Solen Public School District's Response

See Corrective Action Plan

**SOLENS PUBLIC SCHOOL DISTRICT No. 3**  
 Schedule of Audit Findings and Questioned Costs – Continued

**2021-002 TRANSFER ADJUSTMENTS – MATERIAL WEAKNESS**

**Condition**

During testing, it was found that Solen Public School No. 3 required adjustments due to the following:

- Improper revenue and expenditure general ledger classifications
- Transfers between funds were not recorded.
- Cash balance errors

Financial Statement Adjustments are listed below:

June 30, 2020 Fund	Cash Adjustment	Transfers Adjustment		Revenue Adjustment	Expense Adjustment
		In	Out		
General Fund	\$ 52,172	\$ -	\$ 159,697	\$ 366,191	\$ 191,222
Building Fund	159,697	159,697	-	-	-
<b>Total</b>	<b>\$ 211,869</b>	<b>\$ 159,697</b>	<b>\$ 159,697</b>	<b>\$ 366,191</b>	<b>\$ 191,222</b>

June 30, 2021 Fund	Cash Adjustment	Transfers Adjustment		Revenue Adjustment	Expense Adjustment
		In	Out		
General Fund	\$ 52,172	\$ -	\$ 44,000	\$ 259,462	\$ 303,462
Building Fund	115,697	(44,000)	-	-	-
<b>Total</b>	<b>\$ 167,869</b>	<b>\$ (44,000)</b>	<b>\$ 44,000</b>	<b>\$ 259,462</b>	<b>\$ 303,462</b>

**Effect**

There is an increased risk of material misstatement of the Solen Public School District No.3's financial statements whether due to fraud or error. Furthermore, Solen Public School District No. 3 received a modified opinion on the financial statements of the governmental activities, and each major fund.

**Cause**

Solen Public School District No. 3 had turnover of accounting staff responsible for the general ledger, which included errors that were not corrected prior to audit fieldwork.

**Criteria**

Solen Public School District No. 3 is responsible for the adjusting entries to its annual financial statements and to ensure the financial statements are reliable, accurate, free of material misstatement, and in accordance with the modified cash basis of accounting.

**Prior Recommendation**

Yes.

**Recommendation**

We recommend Solen Public School District No. 3 review the financial statement adjustments and resolve issues relating to revenue and expenditure classification, transfer entries, and cash balance errors.

**Solen Public School District's Response**

See Corrective Action Plan

**2021 - 003 BANK RECONCILIATION ERRORS – MATERIAL WEAKNESS**

**Condition**

During testing of the June 30, 2020 and June 30, 2021 bank reconciliations of Solen Public School District No. 3, there were errors in the amounts of \$167,869 and \$211,869 that were required to be adjusted into the financial statements during the year. The adjustments to each fund are shown in the cash adjustment column in Finding 2021-002. Additionally, there was an unreconciled net difference in the amount of \$32,145 and \$30,769 for June 30, 2021 and June 30, 2020, respectively.

**Effect**

There is an increased risk of material misstatement to Solen Public School District No. 3's financial statements whether due to error or fraud if bank reconciliations are not complete and accurate.

**Cause**

Solen Public School District No. 3 had turnover of accounting staff that prepare bank reconciliations, which included errors that were not corrected prior to audit fieldwork.

**Criteria**

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to bank reconciliations, management is responsible for policies and procedures for accurate and timely bank reconciliations.

**Prior Recommendation**

Yes.

**Recommendation**

We recommend Solen Public School District No. 3 resolve its unreconciled net difference, review its current procedures, and ensure that all bank reconciliations are accurately completed on a monthly basis.

**Solen Public School District's Response**

See Corrective Action Plan

**2021 - 004 AUDIT ADJUSTMENTS – MATERIAL WEAKNESS**

**Condition**

Various auditor-identified adjusting entries for the Schedule of Expenditures of Federal Awards, Capital Assets, and Revenues were proposed to properly reflect the financial statements in accordance with the modified cash basis of accounting. The financial statements reflect the adjustments and were approved by management.

**Effect**

Solen Public School District No. 3's financial statements would have been materially misstated without the audit adjustments.

**Cause**

Solen Public School District No. 3's did not have established policies and procedures for maintaining accurate financial statements.

**Criteria**

Solen Public School District No. 3 is responsible for ensuring its annual financial statements are reliable, appropriately classified, accurate, free of material misstatement, and in accordance with the modified cash basis of accounting.

**Prior Recommendation**

No.

**Recommendation**

We recommend Solen Public School District No. 3 review all adjusting entries to the financial statements to properly reflect the financial statements are in accordance with the modified cash basis of accounting.

**Solen Public School District's Response**

See Corrective Action Plan

**2021 - 005 LACK OF SEGREGATION OF DUTIES – MATERIAL WEAKNESS**

**Condition**

Solen Public School District No. 3 has one business manager responsible for the primary accounting functions. Turnover in the business manager position also limited the number of individuals available to properly segregate primary accounting functions.

**Effect**

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of Solen Public School District No. 3's financial condition whether due to error or fraud.

**Cause**

Management has chosen to allocate its economic resources to other functions of Solen Public School District No. 3.

**Criteria**

Proper internal control according to the COSO framework includes controls surrounding the custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements. The framework dictates there should be sufficient accounting personnel so that the duties of employees are properly segregated. Proper segregation of duties would provide better control over the assets of Solen Public School District No. 3.

**Prior Recommendation**

Yes.

**Recommendation**

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

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

**Solen Public School District's Response**

See Corrective Action Plan



**2021 - 006 FRAUD RISK ASSESSMENT – MATERIAL WEAKNESS**

**Condition**

Solen Public School District No. 3 did not prepare a fraud risk assessment of the entire entity.

**Effect**

If Solen Public School District No. 3 does not prepare an adequate fraud risk assessment, there is an increased risk of fraudulent financial reporting, asset misappropriation, and corruption.

**Cause**

Solen Public School District No. 3 may not have considered preparing a fraud risk assessment.

**Criteria**

Fraud risk governance is a key component of entity-wide governance and the internal control environment according to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework principles. This entity wide governance addresses the manner in which the school board and management meet their respective obligations to achieve the entities goals in reporting, reliance, and accountability.

**Prior Recommendation**

Yes.

**Recommendation**

We recommend Solen Public School District No. 3 prepare a fraud risk assessment in order to identify areas of concern within the entity to appropriately mitigate the risk of fraudulent financial reporting, misappropriation of assets, and corruption.

**Solen Public School District's Response**

See Corrective Action Plan

**2021 - 007 BUDGET PREPARATION – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE**

**Condition**

Solen Public School District No. 3 did not prepare a budget in compliance with N.D.C.C. §57-15-13. The district did not have supporting documentation for the 2020-2021 and 2019-2020 budget.

**Effect**

Solen Public School District No. 3 may have improperly calculated the tax levies. In addition, the district may not have been in compliance with N.D.C.C. §57-15-13.

**Cause**

Solen Public School District No. 3 may not have been aware of the requirements of N.D.C.C. §57-15-13. In addition, Solen Public School District No. 3 did not have established policies and procedures for maintaining support documentation for estimates.

**Criteria**

N.D.C.C. §57-15-13 states “School district taxes must be levied by the governing body of each school district on or before the tenth day of August of each year. The governing body of the school district may increase or decrease its tax levy and budget for the current fiscal year on or before the tenth day of October of each year but the certification must be filed with the county auditor within the time limitations under section 57-15-31.1. Taxes for school district purposes must be based upon an itemized budget statement which must show the complete expenditure program of the district for the current fiscal year and the sources of the revenue from which it is to be financed. The school board of each public school district, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the district and to provide a sinking fund to pay and discharge the principal thereof at maturity.”

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to estimates, management is responsible for adequate internal controls surrounding the use of estimates during the budget process.

**Prior Recommendation**

No.

**Recommendation**

We recommend Solen Public School District No. 3 establish procedures to ensure compliance with all aspects of N.D.C.C. §57-15-13 and maintain appropriate support documentation for estimates within the budget.

**Solen Public School District’s Response**

See Corrective Action Plan

**2021 - 008 MILL LEVY CALCUALTION – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE**

**Condition**

Solen Public School District No. 3 did not have supporting documentation for its mill levy calculation to ensure the computation is in accordance with N.D.C.C. §57-15-31(1).

**Effect**

The attributes identified in N.D.C.C. §57-15-31(1) are key components in the tax levy calculation in any budget year. Thus, Solen Public School District No. 3 may have improperly calculated the lax levies.

**Cause**

Solen Public School District No. 3 may not have been aware of the requirements of N.D.C.C. §57-15-31(1).

**Criteria**

N.D.C.C. §57-15-31(1) states, "The amount to be levied by any county, city, township, school district, park district, or other municipality authorized to levy taxes must be computed by deducting from the amount of estimated expenditures for the current fiscal year as finally determined, plus the required reserve fund determined upon by the governing board from the past experience of the taxing district, the total of the following items:

- a. The available surplus consisting of the free and unencumbered cash balance;
- b. Estimated revenues from sources other than direct property taxes;
- c. The total estimated collections from tax levies for previous years;
- d. Expenditures that must be made from bond sources;
- e. The amount of distributions received from an economic growth increment pool under section 57-15-61; and
- f. The estimated amount to be received from payments in lieu of taxes on a project under section 40-57.1-03.

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to estimates, management is responsible for adequate internal controls surrounding the use of estimates during the budget process.

**Prior Recommendation**

No.

**Recommendation**

We recommend Solen Public School District No. 3 maintain supporting documentation for all elements required for its mill levy calculation to ensure the computation is in compliance with all aspects of N.D.C.C. §57-15-31(1).

**Solen Public School District's Response**

See Corrective Action Plan

**2021 - 009 LACK OF SUPPORTING DOCUMENTATION – MATERIAL WEAKNESS**

**Condition**

Solen Public School District No. 3 did not obtain adequate supporting documentation for various expenditures as follows:

2020:

- 6 checks, out of 45 tested, written to various vendors totaling \$6,303 with projected errors of \$481,621.

2021:

- 4 checks, out of 45 tested, written to various vendors totaling \$1,836 with projected errors of \$171,845.

Solen Public School District No. 3 did not have supporting documentation for its miscellaneous revenue receipts that were tested totaling \$1,340,310 and \$996,798 for 2021 and 2020, respectively.

**Effect**

Solen Public School District No. 3 may have paid for services that were not provided by employees or vendors. Also, without proper support documentation of revenues it is possible revenues could be misclassified.

**Cause**

Solen Public School District No. 3 did not have proper policies and procedures to ensure adequate supporting documentation for miscellaneous revenues and expenditures was obtained.

**Criteria**

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to invoices to be paid by the school district and the classification of revenues, management is responsible for adequate internal controls surrounding the review process.

**Prior Recommendation**

Yes.

**Recommendation**

We recommend Solen Public School District No. 3 establish policies and procedures to ensure all supporting documentation for expenditures and miscellaneous revenues are obtained.

**Solen Public School District's Response**

See Corrective Action Plan

**2021 - 010 BOARD APPROVAL OF EXPENDITURES – MATERIAL WEAKNESS**

**Condition**

Solen Public School District did not have adequate board approval for the following:

2020:

- 22 expenditures out of 45 tested, totaling \$1,378,953.47.

2021:

- 25 expenditures out of 45 tested, totaling \$593,227.14.

**Effect**

Without approval of Solen Public School District No. 3 expenditures, the School District exposes itself to risk of loss of assets, potential liabilities, and damage to the School District’s reputation, whether due to error or fraud.

**Cause**

Solen Public School District No. 3 does not have policies and procedures in place to ensure all invoices are included in the listing for board approval.

**Criteria**

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to expenditures paid by the school district, management is responsible for adequate internal controls surrounding the approval process.

**Prior Recommendation**

Yes.

**Recommendation**

We recommend Solen Public School District No. 3 establish policies and procedures to ensure all expenditures are approved by the school board.

**Solen Public School District’s Response**

See Corrective Action Plan

**2021 - 011 BOND COVENANT VIOLATION – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE**

**Condition**

As of June 30, 2021, Solen Public School District No. 3 did not deposit proceeds from the Certificates of Indebtedness, Series 2019 into a separate construction fund as listed in the covenants.

**Effect**

Solen Public School District No. 3 is in violation of the debt covenant of the Certificates of Indebtedness, Series 2019.

**Cause**

Solen Public School District No. 3 may not have been aware of the requirements of the debt covenants of the Certificates of Indebtedness, Series 2019.

**Criteria**

The Certificates of Indebtedness, Series 2019 debt covenants state: "\$393,300 of the Sale Proceeds of the Certificates will be deposited in a separate fund (the "Construction Fund") and used to finance school construction and building improvements (the "Project")."

**Prior Recommendation**

No.

**Recommendation**

We recommend Solen Public School District No. 3 review all debt covenants to ensure compliance with the Certificates of Indebtedness, Series 2019 bond covenants.

**Solen Public School District's Response**

See Corrective Action Plan

**2021 - 012 SCHOOL DISTRICT FINANCIAL REPORT – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE**

**Condition**

Solen Public School District No. 3 submitted the School District Financial Report for the 2019-2020 and 2020-2021 school years to the North Dakota Department of Public Instruction that contained revenues, expenditures, and fund balances that did not agree to the underlying financial records.

**Effect**

Solen Public School District No. 3 financial information may not be accurately reported to the Department of Public Instruction, which could impact its funding.

**Cause**

Solen Public School District No. 3 has not established policies and procedures to ensure amounts included in the School District Financial Report agree to the financial records such as the trial balance and general ledger.

**Criteria**

The North Dakota School District Financial Accounting and Reporting Manual, provided by the Department of Public Instruction, states: “The School District Financial Report is the primary source of financial information regarding the revenue and expenditures for K-12 education in North Dakota. It is used for many purposes, including data for interdistrict tuition, public information, federal reporting, indirect costs and legislative budget and policy making decisions.”

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to the school district financial report, management is responsible for adequate internal controls surrounding the submission of the school district financial report to the department of public instruction.

**Prior Recommendation**

Yes.

**Recommendation**

We recommend Solen Public School District No. 3 establish policies and procedures to ensure the School District Financial Report is accurate to the underlying financial records. Further, we recommend Solen Public School District No. 3 contact the Department of Public Instruction to determine if additional information is required.

**Solen Public School District’s Response**

See Corrective Action Plan

**2021-013 IMPROPER RECORDING OF PAYROLL LIABILITIES – MATERIAL WEAKNESS**

**Condition**

The financial statements of Solen Public School District No.3 are prepared on the modified cash basis of accounting. Solen Public School District No. 3's general ledger does have payroll liabilities included that were accurately removed during the financial statement preparation in order to convert the general ledger into modified cash basis financial statements. However, the payroll liabilities that are recorded in the School District's general ledger have a debit balance at June 30, 2020 in the amount to of \$517,519 which has continued to increase and has a debt balance in the amount of \$939,803 at June 30, 2021. Payroll liabilities typically do not have a debit balance as this infers the school district has an asset related to payroll liabilities. Payroll liabilities typically have a credit balance.

**Effect**

There is an increased risk of material misstatement of the Solen Public School District No.3's financial statements whether due to fraud or error. Furthermore, Solen Public School District No. 3 received a modified opinion on the financial statements of the governmental activities, and each major fund.

**Cause**

Solen Public School District No. 3 had turnover of accounting staff responsible for the general ledger. Management is aware of the current issue and is looking to correct the issue after the audit.

**Criteria**

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to payroll liabilities and related activity incurred by the school district, management is responsible for adequate internal controls surrounding the recording of transactions.

**Prior Recommendation**

No.

**Recommendation**

We recommend Solen Public School District No. 3 review its general ledger to ensure payroll liabilities are accurately recorded.

**Solen Public School District's Response**

See Corrective Action Plan



**Section II - Federal Award Findings and Questioned Costs**

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**2021-014 IMPACT AID GRANT – INTERNAL CONTROLS AND WAGE RATE REQUIREMENTS - ALN 84.041 – MATERIAL WEAKNESS AND MATERIAL NON-COMPLIANCE**

**FINDING TYPE: Material Weakness – Material Noncompliance**

Finding	2021-014
Federal Program:	Impact Aid
ALN:	84.041
Federal Award Number(s) and Year(s):	S041B203650, 2021
Federal Agency:	U.S. Department of Education
Questioned Cost:	\$0

**Condition**

Solen Public School District No. 3 did not comply with the Wage Rate Requirements applicable to the Impact Aid Grant funds for the construction of the new school. Further, Solen Public School District No. 3 did not implement procedures to ensure certified payrolls are consistently received from the construction manager at risk.

**Effect**

Solen Public School District No. 3 was not in compliance with the Wage Rate Requirements for Impact Aid. In addition, laborers may not have been paid the prevailing wage rates. Solen Public School District No. 3 may have also charged unallowable expenditures to the grant.

**Cause**

Solen Public School District No. 3 may not have been aware of the Wage Rate Requirements applicable to construction contracts in excess of \$2,000 financed by federal assistance funds. Solen Public School District No. 3 may not have been aware of the requirement to document and develop internal controls related to the federal programs.

**Criteria**

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

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

Uniform Guidance 2 CFR 200.303(a) states "The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)."

**SOLEN PUBLIC SCHOOL DISTRICT No. 3**  
Schedule of Audit Findings and Questioned Costs – Continued

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**Questioned Costs**

None.

**Prior Recommendation**

No.

**Recommendation**

We recommend Solen Public School District No. 3 implement procedures to ensure compliance with the Wage Rate Requirements of 40 USC 3141-3144, 3146, and 3147 and Uniform Guidance 2 CFR 200.303(a).

**Solen Public School District's Response**

See Corrective Action Plan

**2021 - 015      IMPACT AID GRANT – BOARD APPROVAL OF EXPENDITURES - ALN 84.041 – MATERIAL WEAKNESS**

<b>FINDING TYPE: Material Weakness</b>	
Finding	2021-015
Federal Program:	Impact Aid
ALN:	84.041
Federal Award Number(s) and Year(s):	S041B203650, 2021
Federal Agency:	U.S. Department of Education
Questioned Cost:	\$0

**Condition**

Solen Public School District No. 3’s Board did not have proper board approval for 4 construction invoices, totaling \$1,095,590, out of 9 tested.

**Context**

The audit team randomly selected 9 invoices from a sample of 33 invoices with a population totaling \$5,737,926. Of the 9 invoices selected randomly, 4 of the invoices with a population of \$1,095,590, did not have proper board approval. When sampling was performed, nonstatistical sampling was performed.

**Effect**

Solen Public School District No. 3 may be subject to an increased risk of errors, fraudulent financial reporting, asset misappropriation, and corruption.

**Cause**

Solen Public School District No. 3 has not established policies and procedures to ensure all invoices are included in the listing for board approval.

**Criteria**

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

**Questioned Costs**

None.

**Prior Recommendation**

Yes.

**Recommendation**

We recommend Solen Public School District No. 3 establish policies and procedures to ensure all invoices are included in the listing for board approval.

**Solen Public School District's Response**

See Corrective Action Plan

**2021 - 016 TITLE I – LACK OF SUPPORTING DOCUMENTATION - ALN 84.010 – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE**

<b>FINDING TYPE: Material Weakness and Material Noncompliance</b>	
Finding	2021-016
Federal Program:	Title I
ALN:	84.010
Federal Award Number(s) and Year(s):	S010A200034, 2021
Federal Agency:	U.S. Department of Education
Pass Through Agency:	North Dakota Department of Public Instruction
Questioned Cost:	\$37,857

**Condition**

Solen Public School District No. 3 did not obtain adequate supporting documentation for expenditures charged to the Title I grant program resulting in a total questioned cost of \$37,857.

**Context**

The audit team randomly selected 60 invoices from a sample of 431 invoices with a population totaling \$1,082,004. Of the 60 invoices selected randomly, 30 of the invoices with a population of \$37,857 and projected questioned cost of \$289,026, did not have proper supporting documentation. When sampling was performed, nonstatistical sampling was performed.

**Effect**

Solen Public School District No. 3 may have charged unallowable expenditures to the grant program.

**Cause**

Solen Public School District No. 3 may not have been aware of the documentation requirements for costs to be considered allowable under Federal awards.

**Criteria**

Uniform Guidance 2 CFR 200.403(g) requires costs to be adequately documented.

Uniform Guidance 2 CFR 200.303(a) states "The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)."

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

**SOLEN PUBLIC SCHOOL DISTRICT No. 3**  
Schedule of Audit Findings and Questioned Costs – Continued

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**Questioned Costs**

\$37,857.

**Prior Recommendation**

No.

**Recommendation**

We recommend Solen Public School District No. 3 ensure all supporting documentation for expenditures is obtained for all costs charged to the Title I grant program.

**Solen Public School District's Response**

See Corrective Action Plan

**2021 – 017 TITLE I – INTERNAL CONTROLS AND REQUEST FOR REIMBURSEMENT – ALN 84.010 – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE**

**FINDING TYPE: Material Weakness – Material Noncompliance**

Finding	2021-017
Federal Program:	Title I
ALN:	84.010
Federal Award Number(s) and Year(s):	S010A200034, 2021
Federal Agency:	U.S. Department of Education
Pass Through Agency:	North Dakota Department of Public Instruction
Questioned Cost:	\$97,217

**Condition**

Solen Public School District No. 3 did not have supporting documentation for the requests for reimbursements for Title I. Further, Solen Public School District No. 3 did not establish and maintain effective internal controls to ensure expenditures were being properly approved.

**Context**

The audit team randomly selected 2 requests for reimbursements out of 7 requests for reimbursement with a population of \$89,248. Additionally, 7 requests for reimbursement were judgmentally selected out of 19 request for reimbursement with a total population of \$672,441. Of the 9 requests for reimbursement that were selected judgmentally and selected randomly, 5 of the requests of reimbursement in the amount of \$115,602 did not have proper approval. Additionally, 1 request for reimbursement in the amount of \$17,668 out of the 9 selected for testing did not have proper support. Total questioned cost is \$97,217, which is made up of the \$17,668 error that is projecting questioned costs of \$49,632 and also \$79,549 of requests for reimbursement that were not subject to sampling that were found to not have support. When sampling was performed, nonstatistical sampling was performed.

**Effect**

Solen Public School District No. 3 was not in compliance with the reporting requirements relating to the requests for reimbursement documentation. In addition, expenditures may have been incorrectly charged to the Title I program.

**Cause**

Solen Public School District No. 3 may not have been aware of the reporting requirements to document and develop internal controls related to the federal programs.

**Criteria**

Uniform Guidance 2 CFR 200.403(g) requires costs to be adequately documented.

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

**SOLEN PUBLIC SCHOOL DISTRICT No. 3**  
Schedule of Audit Findings and Questioned Costs – Continued

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Uniform Guidance 2 CFR 200.303(a) states “The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

**Questioned Costs**

\$97,217

**Prior Recommendation**

No.

**Recommendation**

We recommend Solen Public School District No. 3 implement procedures to ensure compliance with the reporting requirements. We also recommend they establish and maintain internal controls over Federal awards in compliance with the Uniform Guidance 2 CFR 200.303(a).

**Solen Public School District’s Response**

See Corrective Action Plan



**2021 – 018 TITLE I – BOARD APPROVAL OF EXPENDITURES - ALN 84.010 – SIGNIFICANT DEFICIENCY**

<b>FINDING TYPE: Significant Deficiency</b>	
Finding	2021-018
Federal Program:	Title I
ALN:	84,010
Federal Award Number(s) and Year(s):	S010A200034, 2021
Federal Agency:	U.S. Department of Education
Pass Through Agency:	North Dakota Department of Public Instruction
Questioned Cost:	\$0

**Condition**

Solen Public School District No. 3’s Board did not have proper board approval for 11 invoices, totaling \$12,823, out of 60 tested.

**Context**

The audit team randomly selected 60 invoices from a sample of 431 invoices with a population totaling \$1,043,640. Of the 60 invoices selected randomly, 11 of the invoices with a population of \$12,823, did not have proper board approval. When sampling was performed, nonstatistical sampling was performed.

**Effect**

Solen Public School District No. 3 may be subject to an increased risk of errors, fraudulent financial reporting, asset misappropriation, and corruption.

**Cause**

Solen Public School District No. 3 has not established policies and procedures to ensure all invoices are included in the listing for board approval.

**Criteria**

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

**Questioned Costs**

None.

**Prior Recommendation**

No.

**Recommendation**

We recommend Solen Public School District No. 3 establish policies and procedures to ensure all invoices are included in the listing for board approval.

**Solen Public School District's Response**

See Corrective Action Plan

**2021 – 019 UNTIMELY FILING OF THE DATA COLLECTION FORM – OTHER NONCOMPLIANCE**

<b>FINDING TYPE: Other Noncompliance</b>	
Finding	2021-019
Federal Program:	Impact Aid. Title I
ALN:	84.041, 84,010
Federal Award Number(s) and Year(s):	S041B203650, S010A200034, 2021
Federal Agency:	U.S. Department of Education
Pass Through Agency:	North Dakota Department of Public Instruction
Questioned Cost:	\$0

**Condition**

Solen Public School District No. 3 did not submit its Data Collection Form to the Federal Audit Clearinghouse within nine months of its year-end.

**Effect**

Solen Public School District No. 3 is not in compliance with the filing requirement deadline.

**Cause**

Audited financial statements were not complete; therefore, the Data Collection Form could not be filed timely.

**Criteria**

Uniform Guidance 2 CFR 200.512(a) states in part: “The audit must be completed, and the data collection form must be submitted within the earlier of 30 calendar days after receipt of the auditor’s report or nine months after the end of the audit period.”

**Questioned Costs**

None.

**Prior Recommendation**

No.

**Recommendation**

We recommend Solen Public School District No. 3 comply with the Uniform Guidance 2 CFR 200.512(a) by submitting the Data Collection Form within the allowable time requirements.

**Solen Public School District’s Response**

See Corrective Action Plan



**SOLENS PUBLIC SCHOOL  
DISTRICT #3**

**Date:** May 12, 2023  
**To:** Joshua C. Gallion, ND State Auditor  
**FROM:** David Drapeaux, Business Manager  
**RE:** Solen Public School District – FY 2021 and 2020 Corrective Action Plan

**Contact Person Responsible for Corrective Acton Plan: David Drapeaux, Business Manager**

**Section I – Financial Statement Findings:**

---

**2021-001 PRIOR PERIOD ERRORS – MATERIAL WEAKNESS**

**Condition**

During testing, it was found that Solen Public School No. 3 had unsupported prior period adjustments to fund balance which also effected opening balance Net Position. Management could not provide support for these opening balance adjustments that were found in the clients software.

Prior Period Adjustments are listed below:

<b>June 30, 2020 Fund</b>	<b>Prior Period Adjustments</b>
General Fund	\$ 634,573
Building Fund	127,808
Total Fund Balance/Net Position Adjustment	\$ 762,381

**Corrective Action Plan:**

Solen Public School agrees with the recommendation to finding 2021-001. We will hire staff more with more accounting experience in the future to help resolve this finding.

**Anticipated Completion Date:**

Fiscal Year 2022

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**2021-002 TRANSFER ADJUSTMENTS – MATERIAL WEAKNESS**

**Condition:**

During testing, it was found that Solen Public School No. required adjustments due to the following:

- Improper revenue and expenditure general ledger classifications
- Transfers between funds were not recorded.
- Cash balance errors

Financial Statement Adjustments are listed below:

June 30, 2020 Fund	Cash Adjustment	Transfers Adjustment		Revenue Adjustment	Expense Adjustment
		In	Out		
General Fund	\$ 52,172	\$ -	\$ 159,697	\$ 366,191	\$ 191,222
Building Fund	159,697	159,697	-	-	-
<b>Total</b>	<b>\$ 211,869</b>	<b>\$ 159,697</b>	<b>\$ 159,697</b>	<b>\$ 366,191</b>	<b>\$ 191,222</b>

June 30, 2021 Fund	Cash Adjustment	Transfers Adjustment		Revenue Adjustment	Expense Adjustment
		In	Out		
General Fund	\$ 52,172	\$ -	\$ 44,000	\$ 259,462	\$ 303,462
Building Fund	115,697	(44,000)	-	-	-
<b>Total</b>	<b>\$ 167,869</b>	<b>\$ (44,000)</b>	<b>\$ 44,000</b>	<b>\$ 259,462</b>	<b>\$ 303,462</b>

**Corrective Action Plan:**

Solen Public School agrees with the recommendation to finding 2021-002. We will hire staff more with more accounting experience in the future to help resolve this finding.

**Anticipated Completion Date:**

Fiscal Year 2022

**2021 - 003 BANK RECONCILIATION ERRORS – MATERIAL WEAKNESS**

**Condition:**

During testing of the June 30, 2020 and June 30, 2021 bank reconciliations of Solen Public School District No. 3, there were errors in the amounts of \$167,869 and \$211,869 that were required to be adjusted into the financial statements during the year. The adjustments to each fund are shown in the cash adjustment column in Finding 2021-002. Additionally, there was an unreconciled net difference in the amount of \$32,145 and \$30,769 for June 30, 2021 and June 30, 2020, respectively.

**Corrective Action Plan:**

Solen Public School agrees with the recommendation to finding 2021-003. We will hire staff more with more accounting experience in the future to help resolve this finding.

**Anticipated Completion Date:**

Fiscal Year 2022

**Anticipated Completion Date:**

Fiscal Year 2022

**2021 - 004      AUDIT ADJUSTMENTS – MATERIAL WEAKNESS**

**Condition:**

Various auditor-identified adjusting entries for the Schedule of Expenditures of Federal Awards, Capital Assets, and Revenues were proposed to properly reflect the financial statements in accordance with the modified cash basis of accounting. The financial statements reflect the adjustments and were approved by management.

**Corrective Action Plan:**

The Solen Public School agrees with the recommendation to finding 2021-004. We will hire staff more with more accounting experience in the future to help resolve this finding.

**Anticipated Completion Date:**

Fiscal Year 2022

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**2021 - 005      LACK OF SEGREGATION OF DUTIES – MATERIAL WEAKNESS**

**Condition:**

Solen Public School District No. 3 has one business manager responsible for the primary accounting functions. Turnover in the business manager position also limited the number of individuals available to properly segregate primary accounting functions.

**Corrective Action Plan:**

The Solen Public School agrees with the recommendation to finding 2021-005. We will hire staff more with more accounting experience in the future to help resolve this finding. The district will look to expand the responsibilities of other administrators in order to provide more checks & balances to the system.

**Anticipated Completion Date:**

Fiscal Year 2022

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**2021 - 006 FRAUD RISK ASSESSMENT – MATERIAL WEAKNESS**

**Condition:**

Solen Public School District No. 3 did not prepare a fraud risk assessment of the entire entity.

**Corrective Action Plan:**

The Solen Public School agrees with the recommendation to finding 2021-006. The district will seek outside assistance in the preparation of the fraud risk assessment.

**Anticipated Completion Date:**

Fiscal Year 2022

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**2021 - 007      BUDGET PREPARATION – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE**

**Condition:**

Solen Public School District No. 3 did not prepare a budget in compliance with N.D.C.C. §57-15-13. The district did not have supporting documentation for the 2020-2021 and 2019-2020 budget.

**Corrective Action Plan:**

Solen Public School agrees with the recommendation to finding 2021-007. We will hire staff more with more accounting experience in the future to help resolve this finding.

**Anticipated Completion Date:**

Fiscal Year 2022

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**2021 - 008      MILL LEVY CALCUALTION – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE**

**Condition:**

Solen Public School District No. 3 did not have supporting documentation for its mill levy calculation to ensure the computation is in accordance with N.D.C.C. §57-15-31(1).

**Corrective Action Plan:**

Solen Public School agrees with the recommendation to finding 2021-008. We will hire staff more with more accounting experience & ND school finance experience in the future to help resolve this finding.

**Anticipated Completion Date:**

Fiscal Year 2022

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**2021-009      LACK OF SUPPORTING DOCUMENTATION – MATERIAL WEAKNESS**

**Condition:**

Solen Public School District No. 3 did not obtain adequate supporting documentation for various expenditures as follows:

**2020:**

- 6 checks, out of 45 tested, written to various vendors totaling \$6,303 with projected errors of \$481,621.

**2021:**

- 4 checks, out of 45 tested, written to various vendors totaling \$1,836 with projected errors of \$171,845.

Solen Public School District No. 3 did not have supporting documentation for its miscellaneous revenue receipts that were tested totaling \$1,340,310 and \$996,798 for 2021 and 2020, respectively.

**Corrective Action Plan:**

Solen Public School agrees with the recommendation to finding; 2021-009. We will hire staff more with more accounting experience in the future to help resolve this finding. A new system of filing in the business office will be implemented.

**Anticipated Completion Date:**

Fiscal Year 2022

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**2021 - 010 BOARD APPROVAL OF EXPENDITURES – MATERIAL WEAKNESS**

**Condition:**

Solen Public School District did not have adequate board approval for the following:

2020:

- 22 expenditures out of 45 tested, totaling \$1,378,953.47.

2021:

- 25 expenditures out of 45 tested, totaling \$593,227.14.

**Corrective Action Plan:**

Solen Public School agrees with the recommendation to finding; 2021-010. The district procurement and approval policies will be approved. More transparency in school board minutes regarding district expenditures will be established.

**Anticipated Completion Date:**

Fiscal Year 2022

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**2021 - 011 BOND COVENANT VIOLATION – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE**

**Condition:**

As of June 30, 2021, Solen Public School District No. 3 did not deposit proceeds from the Certificates of Indebtedness, Series 2019 into a separate construction fund as listed in the covenants.

**Corrective Action Plan:**

Solen Public School agrees with the recommendation to finding: 2021-011. We will review all existing debt covenants in the future.

**Anticipated Completion Date:**

Fiscal Year 2022

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**2021 - 012 SCHOOL DISTRICT FINANCIAL REPORT – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE**

**Condition:**

Solen Public School District No. 3 submitted the School District Financial Report for the 2019-2020 and 2020-2021 school years to the North Dakota Department of Public Instruction that contained revenues, expenditures, and fund balances that did not agree to the underlying financial records.

**Corrective Action Plan:**

Solen Public School agrees with the recommendation to finding 2021-012. We will hire staff more with more accounting & ND School Finance experience in the future to help resolve this finding.

**Anticipated Completion Date:**

Fiscal Year 2022



**2021 - 013      IMPROPER RECORDING OF PAYROLL LIABILITIES – MATERIAL WEAKNESS**

**Condition:**

The financial statements of Solen Public School District No.3 are prepared on the modified cash basis of accounting. Solen Public School District No. 3's general ledger does have payroll liabilities included that were accurately removed during the financial statement preparation in order to convert the general ledger into modified cash basis financial statements. However, the payroll liabilities that are recorded in the School District's general ledger have a debit balance at June 30, 2020 in the amount to of \$517,519 which has continued to increase and has a debt balance in the amount of \$939,803 at June 30, 2021. Payroll liabilities typically do not have a debit balance as this infers the school district has an asset related to payroll liabilities. Payroll liabilities typically have a credit balance.

**Corrective Action Plan:**

Solen Public School agrees with the recommendation to finding 2021-013. We will hire staff more with more accounting & ND School Finance experience in the future to help resolve this finding.

**Anticipated Completion Date:**

Fiscal Year 2022

**Section II – Federal Awards Findings and Questioned Costs:**

---

**2021-014      IMPACT AID GRANT – INTERNAL CONTROLS AND WAGE RATE REQUIREMENTS - ALN 84.041 – MATERIAL WEAKNESS AND MATERIAL NON-COMPLIANCE**

**Condition:**

Solen Public School District No. 3 did not comply with the Wage Rate Requirements applicable to the Impact Aid Grant funds for the construction of the new school. Further, Solen Public School District No. 3 did not implement procedures to ensure certified payrolls are consistently received from the construction manager at risk.

**Corrective Action Plan:**

Solen Public School agrees with the recommendation to finding; 2021-014. Proper wage rate requirements for federal funding will be reviewed in the future.

**Anticipated Completion Date:**

Fiscal Year 2022

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**2021 - 015 IMPACT AID GRANT – BOARD APPROVAL OF EXPENDITURES - ALN 84.041 – MATERIAL WEAKNESS**

**Condition:**

Solen Public School District No. 3's Board did not have proper board approval for 4 construction invoices, totaling \$1,095,590, out of 9 tested.

**Corrective Action Plan:**

Solen Public School agrees with the recommendation to finding; 2021-015. The district procurement and approval policies will be approved. More transparency in school board minutes regarding district expenditures will be established.

**Anticipated Completion Date:**

Fiscal Year 2022

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**2021 - 016 TITLE I – LACK OF SUPPORTING DOCUMENTATION - ALN 84.010 – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE**

**Condition:**

Solen Public School District No. 3 did not obtain adequate supporting documentation for expenditures charged to the Title I grant program resulting in a total questioned cost of \$37,857.

**Corrective Action Plan:**

Solen Public School agrees with the recommendation to finding 2021-016. We will hire staff more with more accounting & ND School Finance experience in the future to help resolve this finding.

**Anticipated Completion Date:**

Fiscal Year 2022

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**2021 – 017 TITLE I – INTERNAL CONTROLS AND REQUEST FOR REIMBURSEMENT – ALN 84.010 – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE**

**Condition:**

Solen Public School District No. 3 did not have supporting documentation for the requests for reimbursements for Title I. Further, Solen Public School District No. 3 did not establish and maintain effective internal controls to ensure expenditures were being properly approved.

**Corrective Action Plan:**

Solen Public School agrees with the recommendation to finding 2021-017. We will hire staff more with more accounting & ND School Finance experience in the future to help resolve this finding.

**Anticipated Completion Date:**

Fiscal Year 2022

**2021 – 018 TITLE I – BOARD APPROVAL OF EXPENDITURES - ALN 84.010 – SIGNIFICANT DEFICIENCY**

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**Condition:**

Solen Public School District No. 3's Board did not have proper board approval for 11 invoices, totaling \$12,823, out of 60 tested.

**Corrective Action Plan:**

Solen Public School agrees with the recommendation to finding; 2021-018. The district procurement and approval policies will be approved. More transparency in school board minutes regarding district expenditures will be established.

**Anticipated Completion Date:**

Fiscal Year 2022

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**2021 – 019      UNTIMELY FILING OF THE DATA COLLECTION FORM – OTHER NONCOMPLIANCE**

**Condition:**

Solen Public School District No. 3 did not submit its Data Collection Form to the Federal Audit Clearinghouse within nine months of its year-end.

**Corrective Action Plan:**

Solen Public School agrees with the recommendation to finding 2021-019. We will hire staff more with more accounting & ND School Finance experience in the future to help resolve this finding.

**Anticipated Completion Date:**

Fiscal Year 2022

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Solen Public School  
District #3

**Section I – Financial Statement Findings**

**2019-001 FINANCIAL STATEMENT PREPARATION – MATERIAL WEAKNESS**

**Condition:**

Solen Public School District currently does not prepare the financial statements, including the accompanying note disclosures, as required by the modified cash basis of accounting. Thus, management has elected to have the auditors assist in the preparation of the financial statements and note disclosures.

**Recommendation:**

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

**Current Status of Recommendation:**

Implemented, was moved to an oral recommendation for 2021-2020.

**2019-002 BANK RECONCILIATIONS – MATERIAL WEAKNESS**

**Condition:**

During testing of the June 30, 2019 bank reconciliations of Solen Public School District, there was an unreconciled net difference for each fund as follows:

<b>Fund</b>	<b>Client Bank Reconciliation Balance</b>	<b>General Ledger Balance</b>	<b>Difference</b>
General Fund	\$ (1,057,696)	\$ (731,926)	\$ (325,770)
Building Fund	510,625	924,396	(413,771)
Johnson O'Malley Fund	(10,775)	368	(11,143)
Student Activities Fund	(28,683)	(2,622)	(26,061)
<b>Total</b>	<b>\$ (586,529)</b>	<b>\$ 190,216</b>	<b>\$ (776,745)</b>

**Recommendation:**

We recommend Solen Public School District resolve its unreconciled net difference, review its current procedures, and ensure that all bank reconciliations are accurately completed on a monthly basis.

**Current Status of Recommendation:**

Issue repeated for 2021-2020, bank reconciliations had differences that needed adjustments for 2021-2020.

**2019-003 SCHOOL DISTRICT FINANCIAL REPORT – MATERIAL WEAKNESS**

**Condition:**

Solen Public School District submitted a fiscal year 2019 School District Financial Report to the North Dakota Department of Public Instruction (DPI) that contained revenues, expenditures, and fund balances that did not agree with its underlying records.

**Recommendation:**

We recommend Solen Public School District ensure that all School District Financial Reports are complete, accurate, and balance with all underlying records that are submitted to DPI. We further recommend Solen Public School District to review the North Dakota School District Financial Accounting and Reporting Manual, to ensure accurate reporting.

**Current Status of Recommendation:**

Issue repeated for 2021-2020, school district report had differences noted for 2021-2020.

---

**2019-004 FUND BALANCE ADJUSTMENTS – MATERIAL WEAKNESS**

**Condition:**

During testing, it was found that Solen Public School required fund balance adjustments due to the following:

- Improper revenue and expenditure general ledger classifications
- Transfers between funds were not recorded
- Cash balance errors

Net adjustments and transfer adjustments are shown below:

Fund	Fund Balance Adjustment	Transfer Adjustments	
		In	Out
General Fund	\$ 1,576,990	\$ 11,777	\$ 1,529,195
Building Fund	(208,771)	1,528,483	3,093
Johnson O'Malley Fund	3,179	712	8,684
Student Activities Fund	6,011	-	-
<b>Total</b>	<b>\$ 1,377,409</b>	<b>\$ 1,540,972</b>	<b>\$ 1,540,972</b>

**Recommendation:**

We recommend Solen Public School District review the fund balance adjustments and resolve issues relating to revenue and expenditure classification, transfer entries, and cash balance errors.

**Current Status of Recommendation:**

Issue repeated for 2021-2020, adjustments were needed for 2021-2020.

**2019-005 LACK OF SEGREGATION OF DUTIES – MATERIAL WEAKNESS**

**Condition:**

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

**Recommendation:**

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

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

**Current Status of Recommendation:**

Issue repeated for 2021-2020, duties were still not fully segregated for 2021-2020.

---

**2019-006 FRAUD RISK ASSESSMENT – MATERIAL WEAKNESS**

**Condition:**

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

**Recommendation:**

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

**Current Status of Recommendation:**

Issue repeated for 2021-2020, formal fraud risk assessment was not prepared for 2021-2020.

---

**2019-007 INADEQUATE BOARD APPROVAL OF EXPENDITURES – MATERIAL WEAKNESS**

**Condition:**

Solen Public School District did not have adequate board approval for 53 expenditures, out of 57 tested, totaling \$647,368.

**Recommendation:**

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

**Current Status of Recommendation:**

Issue repeated for 2021-2020, some invoices did not have proper board approval for 2021-2020.

---

**2019-008 LACK OF SUPPORTING DOCUMENTATION – MATERIAL WEAKNESS**

**Condition:**

Solen Public School District did not obtain adequate supporting documentation for various expenditures as follows:

- 12 checks, out of 12 tested, written to a former employee totaling \$17,628
- 4 checks, out of 45 tested, written to various vendors totaling \$949

**Recommendation:**

We recommend Solen Public School District ensure all payments, to employees and vendors, have adequate supporting documentation for proper approval and payment. We further recommend internal controls relating to the approval of invoices be reviewed and improved if necessary, to decrease the risk of loss financially whether due to error or fraud.

**Current Status of Recommendation:**

Issue repeated for 2021-2020, some invoices did not have proper support for 2021-2020.

---

**2019-009 CREDIT CARD TRANSACTION SUPPORT – MATERIAL WEAKNESS**

**Condition:**

Solen Public School District did not have adequate supporting documentation for credit card transactions that occurred during July and August of 2018, totaling \$11,297.

**Recommendation:**

We recommend Solen Public School District obtain adequate supporting documentation for all credit card purchases. We further recommend Solen Public School District review and update, if necessary, its current procedures surrounding credit card purchases.

**Current Status of Recommendation:**

Issue repeated for 2021-2020, issue combined with expenditure support recommendation for 2021-2020.

---

**Section II - Federal Award Findings and Questioned Costs**

**2019-010 IMPACT AID BOARD APPROVAL OF EXPENDITURES – CFDA 84.041 – MATERIAL WEAKNESS**

**Condition:**

The Solen Public School District Board did not have proper board approval for 2 construction invoices, totaling \$266,919, out of 14 tested.

**Recommendation:**

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

**Current Status of Recommendation:**

Issue repeated for 2021-2020, some invoices did not have board approval for 2021-2020.

---

**2019-011 LACK OF IMPACT AID DOCUMENTED POLICIES – CFDA 84.041 – MATERIAL WEAKNESS**

**Condition:**

The Solen Public School District does not have documented policies and procedures of its internal control system pertaining to the Impact Aid program.

**Recommendation:**

We recommend the Solen Public School District develop and document policies and procedures of its internal control system pertaining to the Impact Aid program.

**Current Status of Recommendation:**

Issue repeated for 2021-2020, issue was combined with internal control finding for 2021-2020.

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David Drapeaux  
Business Manager, Solen Public School District No. 3



STATE AUDITOR  
Joshua C. Gallion



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## GOVERNANCE COMMUNICATION

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Solen Public School Board  
Solen Public School District No. 3  
Solen, North Dakota

We have audited and we were engaged to audit the financial statements of the governmental activities and each major fund of Solen Public School District No. 3, North Dakota, as of and for the years ended June 30, 2021 and 2020, which collectively comprise Solen Public School District No. 3's basic financial statements, and have issued our report thereon dated May 25, 2023. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our engagement letter dated March 3, 2022, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

In planning and performing our audit, we considered the Solen Public School District No. 3, North Dakota's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinions on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance, and for reporting on the schedule of expenditures of federal awards required by the Uniform Guidance.

As part of obtaining reasonable assurance about whether the Solen Public School District No. 3, North Dakota's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about the Solen Public School District No. 3's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the purpose of expressing an opinion on the Solen Public School District No. 3's compliance with those requirements over the major federal program. While our audit provides a reasonable basis for our opinion over compliance for the major federal program, it does not provide a legal determination on the Solen Public School District No. 3's compliance with those requirements.

**Significant Accounting Policies/Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Solen Public School District No. 3 are described in Note 1 to the financial statements. Application of existing policies was not changed during the years ended June 30, 2021 and 2020. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

**Corrected and Uncorrected Misstatements**

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

**SOLEN PUBLIC SCHOOL DISTRICT No. 3**  
 Governance Communication – Continued

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<b>2021 Adjustments</b>	<b>Audit Adjustments</b>	
	<b>Debit</b>	<b>Credit</b>
<b>Government Wide Activities</b>		
<u>Record Adjustment to Capital Assets</u>		
Net Position	115,640	
Capital Assets - Depreciated, Net		115,640
 <u>Record Adjustment to Accumulated Depreciation</u>		
Capital Assets - Depreciated, Net	32,770	
Expenditures		32,770
 <b>Government Fund Adjustments</b>		
<b>General Fund</b>		
<u>Record Cash Adjustment</u>		
Cash	52,172	
Fund Balance		52,172
 <u>Record Adjustments for Transfers to Balance</u>		
Expenditures	303,462	
Other Financing Sources		44,000
Revenue		259,462
 <u>Reclass Revenue</u>		
Miscellaneous Revenue	50,900	
Property Taxes		50,900
 <b>Building Fund</b>		
<u>Record Cash Adjustment</u>		
Cash	115,697	
Fund Balance		115,697
 <u>Record Adjustments for Transfers to Balance</u>		
Other Financing Sources	44,000	
Cash		44,000
 <b>SEFA Adjustment</b>		
<u>To Record Schedule of Federal Award Adjustments</u>		
SEFA - Expenditures		46,029

**2020 Adjustments**

<u>Audit Adjustments</u>	
<u>Debit</u>	<u>Credit</u>

**Government Wide Activities**

Record Adjustment to Capital Assets

Net Position	150,416	
Capital Assets - Depreciated, Net		150,416

Record Adjustment to Accumulated Depreciation

Capital Assets - Depreciated, Net	2,006	
Expenditures		2,006

**Government Fund Adjustments**

**General Fund**

Record Adjustments for Transfers to Balance

Expenditures	191,222	
Other Financing Sources	159,697	
Cash	52,172	
Revenue		403,091

Reclass Revenue

Miscellaneous Revenue	36,900	
Property Taxes		36,900

**Building Fund**

Record Adjustments for Transfers to Balance

Cash	159,697	
Other Financing Sources		159,697

**SEFA Adjustment**

To Record Schedule of Federal Award Adjustments

SEFA - Expenditures	950,705	
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### **Disagreements with Management**

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

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated May 25, 2023.

### **Management Consultations with Other Independent Accountants**

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

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit other than what is listed below:

- Material differences were noted between the clients general ledger and check register. Management could not provide support for differences in the amounts of \$488,969 and \$168,741 for 2020 and 2021, respectively. Additionally, Solen Public School District No. 3 could not provide supporting documentation for several invoices during 2020 and 2021 expenditure testing. The projected error of these unsupported amounts totaled \$481,621 and \$171,845 for 2020 and 2021, respectively.
- Unsupported prior period adjustments for July 1, 2019 for the general fund occurred. The general fund had an unsupported amount of \$634,573.
- Material unsupported adjustments were necessary within the General Fund for Transfers to balance between the Governmental Funds. The December 31, 2020 financial statements included a \$687,474 unsupported adjustment to Transfers to balance the amounts between funds.
- Solen Public School District No. 3 did not have supporting documentation for its miscellaneous revenue receipts that were tested totaling \$1,340,310 and \$996,798 for 2021 and 2020, respectively for the General Fund.
- Unsupported prior period adjustments for July 1, 2019 for the Building Fund occurred. The Building Fund had an unsupported amount of \$127,808.

### **Other Audit Findings or Issues**

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

We do not express an opinion on the Governmental Activities and General Fund of Solen Public School District No. 3. Because of the significance of the matter described in the Difficulties Encountered in Performing the Audit paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an opinion on the Governmental Activities and the General Fund.

We issued a qualified opinion on the Building Fund for 2020. We found an unsupported prior period adjustment in the amount of \$127,808 as explained in the Difficulties Encountered in Performing the Audit paragraph.

**SOLEN PUBLIC SCHOOL DISTRICT No. 3**  
Governance Communication – Continued

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This information is intended solely for the use of the School Board and management of Solen Public School District No. 3, and is not intended to be, and should not be, used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you to the employees of Solen Public School District No. 3 for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve Solen Public School District No. 3.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
May 25, 2023



NORTH DAKOTA STATE AUDITOR  
JOSHUA C. GALLION

**NORTH DAKOTA STATE AUDITOR'S OFFICE**

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