SOUTH PRAIRIE PUBLIC SCHOOL DISTRICT NO. 70
MINOT, NORTH DAKOTA

AUDITED BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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SOUTH PRAIRIE PUBLIC SCHOOL DISTRICT NO. 70
ROSTER OF SCHOOL OFFICIALS - UNAUDITED
JUNE 30, 2021

Randy Korslien	President
Sheila Lindbo	Vice-President
Curt Olson	Director
Chad Mosser	Director
Steve Eberle	Director
Wayne Stanley	Superintendent
Barb Magnuson	Business Manager

BradyMartz

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
South Prairie Public School District No. 70
Minot, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the remaining fund information of South Prairie Public School District No. 70, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the remaining fund information of South Prairie Public School District No. 70 as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphases of Matters

As described in Note 13 to the financial statements, the District has retroactively restated previously reported net position to properly reflect accrued interest.

Also, as described in Note 13 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Boards Statement No. 84, *Accounting and Financial Reporting for Fiduciary Activities.* The District has restated previously reported Net Position and Fund Balance in accordance with the statement.

Other Matters

Required Supplementary Information

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

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by Title 2 U. S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Brady Martz

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

March 9, 2022

SOUTH PRAIRIE PUBLIC SCHOOL DISTRICT NO. 70
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS		
Current Assets:		
Cash	$	4,865,408
Property Taxes Receivable (Net)		150,490
Prepaid Expenses		8,000
Due From Other Governments		259,125
Total Current Assets		5,283,023
Non-Current Assets:		
Capital Assets		
Land		317,912
Buildings		22,458,620
Equipment		331,346
Vehicles		1,010,766
Less Accumulated Depreciation		(4,166,176)
Total Non-Current Assets		19,952,468
TOTAL ASSETS		25,235,491
DEFERRED OUTFLOWS OF RESOURCES		
Cost Sharing Defined Benefit Pension Plan - TFFR		1,762,782
Cost Sharing Defined Benefit Pension Plan - NDPERS		1,212,232
Cost Sharing Defined Benefit OPEB Plan - NDPERS		19,463
TOTAL DEFERRED OUTFLOWS OF RESOURCES		2,994,477
LIABILITIES		
Current Liabilities:		
Accounts Payable		180,647
Accrued Payroll		661,723
Interest Payable		117,763
Notes Payable Within a Year		50,461
Bonds Payable Within a Year		1,001,362
Total Current Liabilities		2,011,956
Long-Term Liabilities:		
Bonds Payable (Net of Current Portion)		13,341,196
Notes Payable (Net of Current Portion)		52,039
Net Pension Liability		7,661,812
Net OPEB Liability		49,317
Total Non-Current Liabilities		21,104,364
TOTAL LIABILITIES		23,116,320
DEFERRED INFLOWS OF RESOURCES		
Cost Sharing Defined Benefit Pension Plan - TFFR		214,933
Cost Sharing Defined Benefit Pension Plan - NDPERS		326,552
Cost Sharing Defined Benefit OPEB Plan - NDPERS		3,301
TOTAL DEFERRED INFLOWS OF RESOURCES		544,786
NET POSITION		
Net Investment in Capital Assets		5,507,410
Restricted for:		
Debt Service		704,698
Building		1,492,795
Student Activities		51,998
Unrestricted		(3,188,039)
TOTAL NET POSITION	$	4,568,862

See Notes to the Basic Financial Statements

SOUTH PRAIRIE PUBLIC SCHOOL DISTRICT NO. 70
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES				
Business Support Services	$ 179,576	$ -	$ -	$ (179,576)
Instructional Support Services	103,301	-	-	(103,301)
Administration	555,385	-	-	(555,385)
Operations and Maintenance	427,773	-	-	(427,773)
Transportation	434,411	-	199,514	(234,897)
Regular Instruction	4,766,100	331,529	746,616	(3,687,955)
Special Education	476,187	-	271,045	(205,142)
Vocational Education	102,061	-	49,290	(52,771)
Extra-Curricular Activities	394,903	-	-	(394,903)
Food Services	306,067	38,696	403,328	135,957
Interest and Fees on Long-Term Debt	354,675	-	-	(354,675)
TOTAL GOVERNMENTAL ACTIVITIES	$ 8,100,439	$ 370,225	$ 1,669,793	(6,060,421)
	GENERAL REVENUES			
	Property Taxes, Levied for General Purposes			1,149,313
	Property Taxes, Levied for Debt Service			1,101,908
	Aids and Payments from the State			4,442,805
	Loss from Disposal of Asset			(464)
	Unrestricted Investment Earnings			30,790
	TOTAL GENERAL REVENUES			6,724,352
	Change in Net Position			663,931
	Net Position - Beginning as Originally Reported			3,885,323
	Prior Period Adjustment - See Note 13			19,608
	Net Position - Beginning as Restated			3,904,931
	Net Position - Ending			$ 4,568,862

See Notes to the Basic Financial Statements

SOUTH PRAIRIE PUBLIC SCHOOL DISTRICT NO. 70
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Capital Projects	Debt Service	Nonmajor Food Service	Total Governmental Funds
ASSETS					
Cash	$ 2,298,512	$ 1,673,005	$ 744,422	$ 149,469	$ 4,865,408
Property Taxes Receivable (Net)	72,451	-	78,039	-	150,490
Prepaid Expenses	8,000	-	-	-	8,000
Due from Other Governments	258,573	-	-	552	259,125
TOTAL ASSETS	$ 2,637,536	$ 1,673,005	$ 822,461	$ 150,021	$ 5,283,023
LIABILITIES					
Accounts Payable	$ 437	$ 180,210	$ -	$ -	$ 180,647
Accrued Payroll	661,723	-	-	-	661,723
TOTAL LIABILITIES	662,160	180,210	-	-	842,370
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Uncollected Taxes	66,805	-	71,900	-	138,705
TOTAL DEFERRED INFLOWS OF RESOURCES	66,805	-	71,900	-	138,705
FUND BALANCES					
Restricted	51,998	1,492,795	750,561	-	2,295,354
Assigned	-	-	-	150,021	150,021
Non-Spendable	8,000	-	-	-	8,000
Unassigned	1,848,573	-	-	-	1,848,573
TOTAL FUND BALANCES	1,908,571	1,492,795	750,561	150,021	4,301,948
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 2,637,536	$ 1,673,005	$ 822,461	$ 150,021	$ 5,283,023

See Notes to the Basic Financial Statements

SOUTH PRAIRIE PUBLIC SCHOOL DISTRICT NO. 70
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
JUNE 30, 2021

Total fund balances - governmental funds		$ 4,301,948
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as net assets in government funds:		
Cost of capital assets	$ 24,118,644	
Less: accumulated depreciation	(4,166,176)	
Net		19,952,468
Net deferred outflows/(inflows) of resources relating to the cost sharing defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows/(inflows) of resources in the governmental funds.		2,449,691
Property taxes receivable will be collected during the year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		138,705
Long-term liabilities are not due and payable in the current period and therefore are not recorded as liabilities in the governmental funds.		
Bonds Payable		(14,342,558)
Notes Payable		(102,500)
Net OPEB Liability		(49,317)
Net Pension Liability		(7,661,812)
Interest payable is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.		(117,763)
Net Position - Governmental Activities		$ 4,568,862

See Notes to the Basic Financial Statements

SOUTH PRAIRIE PUBLIC SCHOOL DISTRICT NO. 70

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Capital Projects	Debt Service	Nonmajor Food Service	Total Governmental Funds
REVENUES					
Local Property Tax Levies	$ 1,178,235	$ -	$ 1,128,236	$ -	$ 2,306,471
Other Local and County Revenues	322,328	9,201	-	38,696	370,225
Revenue from State Sources	4,962,654	-	-	548	4,963,202
Revenue from Federal Sources	746,616	-	-	402,780	1,149,396
Interest	13,922	14,844	2,016	8	30,790
TOTAL REVENUES	7,223,755	24,045	1,130,252	442,032	8,820,084
EXPENDITURES					
Current:					
Business Support Services	179,576	-	-	-	179,576
Instructional Support Services	103,301	-	-	-	103,301
Administration	555,385	-	-	-	555,385
Operations and Maintenance	427,773	-	-	-	427,773
Transportation	320,617	-	-	-	320,617
Regular Instruction	3,514,735	-	-	-	3,514,735
Special Education	476,187	-	-	-	476,187
Vocational Education	102,061	-	-	-	102,061
Extra-Curricular Activities	394,903	-	-	-	394,903
Food Services	-	-	-	303,747	303,747
Capital Outlay	479,843	2,779,675	-	-	3,259,518
Debt Service:					
Principal Retirement	66,519	-	799,767	-	866,286
Interest and Fiscal Charges on Long-Term Debt	1,999	-	298,524	-	300,523
TOTAL EXPENDITURES	6,622,899	2,779,675	1,098,291	303,747	10,804,612
Excess (Deficiency) of Revenues over Expenditures	600,856	(2,755,630)	31,961	138,285	(1,984,528)
OTHER FINANCING SOURCES					
Issuance of Debt	102,500	-	-	-	102,500
Proceeds on Disposal of Capital Assets	11,962	-	-	-	11,962
Transfers Out	(239,225)	(4,736)	-	-	(243,961)
Transfers In	-	-	243,961	-	243,961
TOTAL OTHER FINANCING SOURCES (USES)	(124,763)	(4,736)	243,961	-	114,462
Net Change in Fund Balances	476,093	(2,760,366)	275,922	138,285	(1,870,066)
Fund Balance - Beginning of Year, as Originally Reported	1,349,259	4,253,161	474,639	11,736	6,088,795
Prior Period Adjustments - See Note 13	83,219	-	-	-	83,219
Fund Balance - Beginning of Year, as Restated	1,432,478	4,253,161	474,639	11,736	6,172,014
Fund Balance - End of Year	$ 1,908,571	$ 1,492,795	$ 750,561	$ 150,021	$ 4,301,948

See Notes to the Basic Financial Statements

SOUTH PRAIRIE PUBLIC SCHOOL DISRICT NO. 70
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Total net change in fund balances - Governmental Funds			$	(1,870,066)
Amounts reported for governmental activities in the statement of activities are different because:				
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the useful lives as depreciation expense.				
Capital Outlays	$	3,259,518		
Depreciation Expense		(496,154)		
Excess of capital outlay over depreciation expense				2,763,364
Net Book Value on Disposal of Asset				(12,426)
Some revenues will not be collected for several months after the District's fiscal year end. These revenues are considered "available" revenues in the government funds. These revenues consist of:				
Net change in unavailable property taxes				(55,250)
Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position.				866,286
Proceeds from debt issuances are a long-term liability in the statement of net position. They are netted against repayments of long-term debt which reduce long-term liabilities in the statement of net position.				(102,500)
Changes in deferred outflows and inflows of resources related to net pension liability				978,095
Change in net OPEB liability				1,145
Change in net pension liability				(1,850,565)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.				(54,152)
Change in net position - Governmental Activities			$	663,931

See Notes to the Basic Financial Statements

NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The South Prairie Public School District No. 70 operates the public schools in the City of Minot, North Dakota. There is combined elementary school, and junior/senior high school.

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-Wide Financial Statements:

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements display information about the District as a whole. The statement of net position presents the financial condition of the governmental activities of the District at year-end.

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

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

Fund Financial Statements:

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

Fund Accounting

The District's funds consist of the following:

Governmental Funds:

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

General Fund:
The general fund is the general operating fund of the school district. It accounts for all financial resources except those requiring to be accounted for in another fund, including the student Activity fund.

Capital Projects:
Capital projects funds are used to account and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds:
The Debt Service fund is used to account for the accumulation of resources for, and the payments of, general long-term debt principal, interest, and related costs.

The District's non-major governmental funds are as follows:

Special Revenue Funds:

Special Revenue fund is used to account for the proceeds of certain specific revenue sources that are legally restricted to expenditures for specified purposes. Included in this category is the food service operating fund. It accounts for all financial resources related to food service.

Measurement Focus and Basis of Accounting

Measurement Focus:

Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred inflows and outflows of resources, and liabilities associated with the operation of the District are included in the statement of net position.

Fund Financial Statements:

The governmental funds are accounted for by using a flow of current financial resources measurement focus. Under this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources and uses of current financial resources.

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

Basis of Accounting:

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

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

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

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

Revenues - Exchange and Non-Exchange Transactions:

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

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

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

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

Unearned Revenues:

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

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

Expenses and Expenditures:

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

Budgets and Budgetary Accounting:

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

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

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

2. The Board reviews the budget, may make revisions, and adopts the final budget at the September board meeting to ensure it is adopted before the fifteenth of October each year. The budget is then filed with the county auditor by October tenth of each year.

3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 15 of each year. The budget amounts shown in the financial statements are the final authorized amounts.

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

Cash and Cash Equivalents:

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

Investments:

Investments are recorded at market value. North Dakota State Statute authorizes school districts to invest their surplus funds in: a) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the Treasury of the United States, or its agencies, instrumentality's, or organizations created by an act of Congress, b) Securities sold under agreements to repurchase, written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above, c) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation of the state, d) Obligations of the state.

Fair Value Measurements:

The Organization accounts for all assets and liabilities that are being measured and reported on a fair value basis in accordance with GAAP. GAAP defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements. When fair value measurements are required, various data is used in determining those values. This statement requires that assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

Capital Assets:

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

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

Buildings	50 Years
Equipment	10 Years
Vehicles	10 Years

Accrued Liabilities and Long-term Obligations:

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

Pensions:

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

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 Balance Classifications:

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

> *Restricted* – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors, or constraints imposed by state statutory provisions and administered by the North Dakota Department of Education. The District does not have any fund balance classified as restricted
>
> *Committed* – consists of internally imposed constraints. These constraints are established by resolution of the Board of Education. The District does not have any fund balance classified as committed.
>
> *Assigned* – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the District's intended use. These constraints are established by the Board of Education and/or management.
>
> *Unassigned* – is the residual classification for the general funds and also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it Is District's policy to first use restricted resources, then use unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for us, it is the District policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

The District has no minimum fund balance policy.

Deferred Outflows/Inflows of Resources:

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

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

Net Position:

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

Inter-fund Activity:

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

Estimates:

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

Revenue Recognition - Property Taxes:

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

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

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

Significant Group Concentrations of Credit Risk:

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

NOTE 3 CASH AND INVESTMENTS

Custodial Credit Risk – Deposits

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

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

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

At June 30, 2021, the carrying amount of the District's deposits was $4,865,408 and the bank balance was $4,788,700. The entire bank balance was covered by Federal Depository Insurance or by collateral held by the District's Agent in the District's name in amounts sufficient to meet North Dakota legal requirements.

Interest Rate Risk

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

Concentration of Credit Risk

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

NOTE 4 CAPITAL ASSETS

The following is a summary of changes in general fixed assets account group during the year:

	Balance 7/1/2020	Additions	Disposals	Balance 6/30/2021
Governmental Activities:				
Capital Assets Not Being Depreciated				
Land	$ 317,912	$ -	$ -	$ 317,912
Total	317,912	-	-	317,912
Capital Assets Being Depreciated				
Buildings	19,583,543	2,908,913	33,836	22,458,620
Equipment	298,668	56,482	23,804	331,346
Vehicles	976,043	294,123	259,400	1,010,766
Total	20,858,254	3,259,518	317,040	23,800,732
Less Accumulated Depreciation				
Buildings	3,070,263	413,922	33,236	3,450,949
Equipment	197,392	20,987	20,565	197,814
Vehicles	706,981	61,245	250,813	517,413
Total	3,974,636	496,154	304,614	4,166,176
Net Capital Assets Being Depreciated	16,883,618	2,763,364	12,426	19,634,556
Net Capital Assets for Governmental Activities	$ 17,201,530	$ 2,763,364	$ 12,426	$ 19,952,468

In the governmental activities section of the statement of activities, depreciation expense was charged to the following governmental functions:

Regular Instruction	$ 380,040
Transportation	113,794
Food Service	2,320
	$ 496,154

NOTE 5 LONG-TERM DEBT

The School District issued bonds to provide funding for the construction of additions and improvements to existing facilities. Long-term debt is as follows:

	Balance 7/1/2020	Additions	Retirements	Balance 6/30/2021	Due in One Year
State Aid Certificates of Indebtedness Series 2020	$ 3,500,000	$ -	$ -	$ 3,500,000	$ 200,000
General Obligation School Building Bonds, Series 2014B	6,417,325	-	419,767	5,997,558	416,362
General Obligation Refunding Bonds Series 2013	2,045,000	-	210,000	1,835,000	215,000
General Obligation School Building Bonds Series 2014	2,780,000	-	170,000	2,610,000	170,000
QSCB Bonds Payable	400,000	-	-	400,000	-
Contract Payable	66,519	-	66,519	-	-
Bus Purchase	-	102,500	-	102,500	50,461
Net OPEB Liability	50,462	14,470	15,615	49,317	-
Net Pension Liability	5,811,247	3,159,003	1,308,438	7,661,812	-
Total	$ 21,070,553	$ 3,275,973	$ 2,190,339	$ 22,156,187	$ 1,051,823

Debt payable at June 30, 2021, is comprised of the following individual issues:

State Aid Certificates of Indebtedness Series 2020, Originally issued $3,500,000 Payments are due in annual installments of $200,000 to $275,000 plus interest through August 1, 2035, Effective interest rate of 5% - 2%.

General Obligation Refunding Bonds, Series 2014B, originally issued $8,400,000 payments are due in annual installments of $512,342.36 through June 1, 2034. Effective interest rate of 1.52%.

General Obligation Refunding Bonds Series 2013, Originally issued $3,275,000, payments are due in annual installments of $200,000 to $245,000 plus interest through August 1, 2028. Effective interest rate is 1%-2%.

General Obligation School Building Bonds Series 2014, Originally issued $3,600,000, payments are due in annual installments of $160,000 to $240,000 plus interest through August 1, 2033, Effective interest rate is 2%-3.25%.

QSCB Bonds Payable, Taxable appropriation Bonds Series 2010 for the remodeling of the school. Originally issued $400,000. The bonds call for refundable interest from U.S Treasury at 5.35% and annual mandatory deposits of $22,551 with total maturity at June 30, 2025.

Contract payable for the purchase of a school bus. The contract calls for annual payments of $34,762 from December 1, 2019 through April 1, 2021 and Interest at 2.95%.

Note payable for the purchase of a school bus. The note calls for annual payments of $53,595 through November 5, 2022. Effective interest rate of 2.95%.

Interest expense was $351,564 for the year ended June 30, 2021.

Annual debt service requirements to maturity for the long-term debt are as follows:

QSBC Bond

Fiscal Year	Principal	Interest	Total
2022	$ -	$ 21,400	$ 21,400
2023	-	21,400	21,400
2024	-	21,400	21,400
2025	-	21,400	21,400
2026	400,000	10,700	410,700
	$ 400,000	$ 96,300	$ 496,300

General Obligation School Building Bonds Series 2014B

Fiscal Year	Principal	Interest	Total
2022	$ 416,362	$ 95,980	$ 512,342
2023	427,508	84,834	512,342
2024	434,006	78,336	512,342
2025	440,603	71,739	512,342
2026	447,300	65,042	512,342
2027-2031	2,340,577	191,152	2,531,729
2032-2034	1,491,202	75,570	1,566,772
	$ 5,997,558	$ 662,653	$ 6,660,211

State Aid Certificates of Indebtness Series 2020

Fiscal Year	Principal	Interest	Total
2022	$ 200,000	$ 123,950	$ 323,950
2023	210,000	113,700	323,700
2024	210,000	103,200	313,200
2025	215,000	92,575	307,575
2026	220,000	81,700	301,700
2027-2031	1,150,000	199,700	1,349,700
2032-2036	1,295,000	109,900	1,404,900
	$ 3,500,000	$ 824,725	$ 4,324,725

General Obligation Refunding Bond Series 2013

Fiscal Year	Principal	Interest	Total
2022	$ 215,000	$ 30,510	$ 245,510
2023	220,000	27,626	247,626
2024	225,000	24,399	249,399
2025	225,000	20,856	245,856
2026	230,000	16,700	246,700
2027-2028	720,000	21,800	741,800
	$ 1,835,000	$ 141,891	$ 1,976,891

General Obligation School Building Bonds Series 2014

Fiscal Year	Principal	Interest	Total
2022	$ 170,000	$ 70,238	$ 240,238
2023	175,000	66,788	241,788
2024	180,000	63,012	243,012
2025	180,000	58,962	238,962
2026	185,000	54,625	239,625
2027-2031	1,020,000	163,585	1,183,585
2032-2034	700,000	59,743	759,743
	$ 2,610,000	$ 536,953	$ 3,146,953

Bus Loan

Fiscal Year	Principal	Interest	Total
2022	$ 50,461	$ 3,134	$ 53,595
2023	52,039	1,556	53,595
	$ 102,500	$ 4,690	$ 107,190

NOTE 6 FUND BALANCES

A. CLASSIFICATIONS

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

Restricted for:	General Fund	Capital Projects	Debt Service	Food Service	Total
Student Activities	$ 51,998	$ -	$ -	$ -	$ 51,998
Capital Projects	-	1,492,795	-	-	1,492,795
Debt Service	-	-	750,561	-	750,561
Total Restricted	$ 51,998	$ 1,492,795	$ 750,561	$ -	$ 2,295,354
Assigned for:					
Food Service	$ -	$ -	$ -	$ 150,021	$ 150,021
Non-Spendable	$ 8,000	$ -	$ -	$ -	$ 8,000
Unassigned:	$ 1,848,573	$ -	$ -	$ -	$ 1,848,573
Total	$ 1,908,571	$ 1,492,795	$ 750,561	$ 150,021	$ 4,301,948

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

<u>Restricted for Student Activities:</u>
This account represents funds held by the School District available for student activity programs.

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

Restricted for Capital Project:
This account represents funds held by the School District available to provide future capital outlay.

Assigned fund balance reflect resources that can be used for the specific purpose determined by formal action of the School District's Board of Education. At June 30, 2021, there was following account:

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

NOTE 7 DEFINED BENEFIT PENSION PLANS – STATEWIDE

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

Disclosures relating to these plans follow:

North Dakota Teacher's Fund For Retirement

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

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

At June 30, 2021, the District reported a liability of $5,727,293 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2020, the Employer's proportion was 0.374210 percent which was an increase of 0.009623 from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Employer recognized pension expense of $890,633. At June 30, 2021, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,181	$ 214,933
Net Investment Income	-	-
Changes in actuarial assumptions	257,779	-
Difference between projected and actual investment earnings	353,554	-
Changes in proportion	773,287	-
Contributions paid to TFFR subsequent to the measurement date	376,981	-
Total	$ 1,762,782	$ 214,933

$376,981 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022.

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

Year ending June 30:	Pension Expense Amount	
2022	$	391,623
2023		350,464
2024		232,497
2025		124,570
2026		36,447
Thereafter		35,267

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 14.50%, varying by service, including inflation and productivity
Investment rate of return	7.25%, net of investment expenses
Cost-of-living adjustments	None

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

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

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

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

The TFFR Board is responsible for establishing investment policy for the fund assets under NDCC 15-39.1-05.2. Benefit payments are projected to occur over a long period of time. This allows TFFR to adopt a long-term investment horizon and asset allocation policy for the management of fund assets.

Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the Board in determining an acceptable volatility target for the fund and an optimal asset allocation policy mix. This asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk, including the resulting estimated impact of funded status and contribution rates.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58.00%	6.86%
Global Fixed Income	23.00%	1.25%
Global Real Assets	18.00%	5.02%
Cash Equivalents	1.00%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2019, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2020.

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

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	6.25%	7.25%	8.25%
School's proportionate share of the TFFR net pension liability:	$ 7,628,446	$ 5,727,293	$ 4,147,337

Pension Plan Fiduciary Net Position

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

North Dakota Public Employees' Retirement System

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 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 of disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

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

At June 30, 2021, the District reported a liability of $1,934,519 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2020, the District's proportion was 0.061491 percent which was a decrease of 0.005908 from its proportion measured July 1, 2019.

For the year ended June 30, 2021, the District recognized pension expense of $416,654. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 7,529	$ 98,024
Changes in actuarial assumptions	1,037,025	171,446
Difference between projected and actual investment earnings	62,437	-
Changes in proportion	49,965	57,082
Contributions paid to NDPERS subsequent to the measurement date	55,276	-
Total	$ 1,212,232	$ 326,552

$55,276 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

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

Year ending June 30:	Pension Expense Amount
2022	$ 259,801
2023	212,009
2024	171,465
2025	187,129

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30.00%	6.30%
International Equity	21.00%	6.85%
Private Equity	7.00%	9.75%
Domestic Fixed Income	23.00%	1.25%
Global Real Assets	19.00%	5.01%

Discount Rate

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

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

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

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

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	3.64%	4.64%	5.64%
School's proportionate share of the NDPERS net pension liability:	$ 2,509,895	$ 1,934,519	$ 1,463,724

Pension Plan Fiduciary Net Position

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

NOTE 8 DEFINED BENEFIT OPEB PLAN

Defined Benefit OPEB Plan

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

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

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

OPEB Benefits

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

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

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

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

At June 30, 2021, the District reported a liability of $49,317 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2020, the District's proportion was 0.586270 percent which was a decrease of 0.042000 percent from its proportion measured as of July 1, 2019.

For the year ended June 30, 2021, the District recognized OPEB expense of $7,187. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,095	$ 1,182
Changes of assumptions	6,612	-
Net difference between projected and actual earnings on OPEB plan investments	1,696	-
Changes in proportion and differences between employer contributions and proportionate share of contribution	2,264	2,119
District contributions subsequent to the measurement date	7,796	-
Total	$ 19,463	$ 3,301

$7,796 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022.

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

Year Ending June 30:	
2022	$ 1,677
2023	2,115
2024	2,035
2025	1,570
2026	818
2027	151

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 Employee), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap Domestic Equities	33.00%	6.00%
Small Cap Domestic Equities	6.00%	7.00%
Domestic Fixed Income	40.00%	1.15%
International Equities	21.00%	6.45%

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

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

	1% Decrease in Discount Rate 5.50%	Discount Rate 6.50%	1% Increase in Discount Rate 7.50%
District's proportionate share of the net OPEB liability	$ 64,680	$ 49,317	$ 36,325

Pension Plan Fiduciary Net Position

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

NOTE 9 RISK MANAGEMENT

The 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 (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The District pays an annual premium to NDIRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses on one million dollars per occurrence.

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

The District participates in the North Dakota Worker’s Compensation Bureau and purchases commercial insurance for employee health and accident insurance.

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

NOTE 10 INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2021, were as follows:

Transfers In	Transfers Out	Amount
Debt Service Fund	General Fund	$ 239,225
Debt Service Fund	Building Fund	4,736
		$ 243,961

Interfund transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization; to segregate and to return money to the fund from which it was originally provided once a project is complete.

NOTE 11 CONTINGENT LIABILITIES

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2021, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 12 NON-MONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its hot lunch program.

NOTE 13 CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION AND FUND BALANCE

A prior period adjustment was made to properly reflect accrued interest not recorded in the prior year. Additionally, the District implemented GASB Statement No. 84, *Fiduciary Activities.* As a result, beginning net position and fund balance have been restated as of July 1, 2020, as follows:

Net Position July 1, 2020, as Previously Reported	$ 3,885,323
Restatement for Fiduciary Accounting	83,219
Restatement for Interest Accural	(63,611)
Net Position July 1, 2020, as Restated	$ 3,904,931

General Fund Balance July 1, 2020, as Previously Reported	$ 1,349,259
Restatement for Fiduciary Accounting	83,219
General Fund Balance July 1, 2020, as Restated	$ 1,432,478

NOTE 14 NEW PRONOUNCEMENTS

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

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

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

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

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

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

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

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

Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

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

NOTE 15 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through March 9, 2022, which is the date these financial statements were available to be issued.

SOUTH PRAIRIE PUBLIC SCHOOL DISTRICT NO. 70
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts			
	Original	Final	Actual	Over (Under) Final Budget
REVENUES				
Local Property Tax Levies	$ 1,194,300	$ 1,194,300	$ 1,178,235	$ (16,065)
Other Local & County Revenues	131,077	131,077	322,328	191,251
Revenue From State Sources	4,929,847	4,929,847	4,962,654	32,807
Revenue From Federal Sources	369,988	369,988	746,616	376,628
Interest	20,000	20,000	13,922	(6,078)
TOTAL REVENUES	6,645,212	6,645,212	7,223,755	578,543
EXPENDITURES				
Business Support Services	175,096	175,096	179,576	4,480
Instructional Support Services	213,028	213,028	103,301	(109,727)
Administration	588,681	588,681	555,385	(33,296)
Operations and Maintenance	472,958	472,958	427,773	(45,185)
Transportation	427,474	427,474	320,617	(106,857)
Regular Instruction	2,840,355	2,840,355	3,514,735	674,380
Special Education	898,015	898,015	476,187	(421,828)
Vocational Education	243,399	243,399	102,061	(141,338)
Extra-Curricular Activities	195,138	195,138	394,903	199,765
Food Service	91,068	91,068	-	(91,068)
Capital Outlay	-	-	479,843	479,843
Principal Retirement	500,000	500,000	66,519	(433,481)
Interest and Fiscal Charges on Long-Term Debt	-		1,999	1,999
TOTAL EXPENDITURES	6,645,212	6,645,212	6,622,899	(22,313)
Excess (Deficiency) of Revenues Over Expenditures	-	-	600,856	600,856
OTHER FINANCING SOURCES (USES)				
Issuance of Debt	-	-	102,500	102,500
Proceeds on Disposal of Capital Asset	-	-	11,962	
Transfers Out	-	-	(239,225)	(239,225)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(124,763)	(124,763)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	-	-	476,093	476,093
Fund Balance - Beginning of Year, as Originally Reported	1,349,259	1,349,259	1,349,259	-
Prior Period Adjustments - See Note 13	-	-	83,219	-
Fund Balance - Beginning of Year, as Restated	-	-	1,432,478	-
Fund Balances - Ending	$ 1,349,259	$ 1,349,259	$ 1,908,571	$ 476,093

See Notes to the Required Supplementary Information

SOUTH PRAIRIE PUBLIC SCHOOL DISTRICT NO. 70
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE TFFR AND NDPERS PENSION PLANS
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

Teachers Fund for Retirement

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2021	$ 376,981	$ (376,981)	$ -	$ 2,956,721	12.75%
2020	348,134	(348,134)	-	2,730,461	12.75%
2019	326,104	(326,104)	-	2,557,680	12.75%
2018	307,577	(307,577)	-	2,428,054	12.67%
2017	299,129	(299,129)	-	2,346,109	12.75%
2016	254,981	(254,981)	-	1,999,849	12.75%

North Dakota Public Employees Retirement System

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2021	$ 48,031	$ (53,208)	$ (5,177)	$ 763,396	6.97%
2020	51,041	(49,236)	1,805	701,061	7.02%
2019	47,155	(52,429)	(5,274)	640,229	8.19%
2018	46,508	(44,299)	2,209	641,382	6.91%
2017	45,449	(44,351)	1,098	627,761	7.06%
2016	33,439	(31,345)	2,094	440,239	7.12%

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

See Notes to the Required Supplementary Information

SOUTH PRAIRIE PUBLIC SCHOOL DISTRICT NO. 70
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE NDPERS OPEB PLAN
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

North Dakota Public Employees Retirement System – OPEB

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered - Employee Payroll	Contributions as a Percentage of Covered - Employee Payroll
2021	$ 7,796	$ (7,796)	$ -	$ 763,296	1.02%
2020	8,153	(7,883)	270	701,061	1.16%
2019	7,509	(8,395)	(886)	640,229	1.17%
2018	7,456	(7,093)	363	641,382	1.16%

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

See Notes to the Required Supplementary Information

SOUTH PRAIRIE PUBLIC SCHOOL DISTRICT NO. 70
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

Teachers Fund for Retirement

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.374210%	$ 5,727,293	$ 2,730,461	209.76%	63.40%
2019	0.364589%	5,021,282	2,557,680	196.32%	65.50%
2018	0.357167%	4,760,528	2,428,054	196.06%	65.50%
2017	0.347586%	4,774,189	2,346,109	203.49%	63.20%
2016	0.307799%	4,509,442	1,999,849	225.49%	59.20%
2015	0.220988%	2,890,203	1,359,306	212.62%	62.10%
2014	0.205494%	2,153,213	1,191,974	180.64%	66.60%

North Dakota Public Employees Retirement System

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.061491%	$ 1,934,519	$ 678,325	285.19%	48.91%
2019	0.067399%	789,965	701,061	112.68%	71.66%
2018	0.062320%	1,051,718	640,229	164.27%	62.80%
2017	0.062829%	1,009,868	641,382	157.45%	61.98%
2016	0.062292%	607,096	627,761	96.71%	70.46%
2015	0.049416%	336,020	440,239	76.33%	77.70%

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

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

See Notes to the Required Supplementary Information

SOUTH PRAIRIE PUBLIC SCHOOL DISTRICT NO. 70
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

North Dakota Public Employees Retirement System – OPEB

For the Fiscal Year Ended June 30	District's proportion of the net OPEB liability (asset)	District's proportionate share of the net OPEB liability (asset)	District's covered - employee payroll	District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2020	0.5863%	$ 49,317	$ 763,296	6.46%	63.38%
2019	0.0628%	50,462	701,061	7.20%	63.13%
2018	0.0585%	46,081	640,229	7.20%	61.89%
2017	0.0593%	46,896	641,382	7.31%	59.78%

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

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

See Notes to the Required Supplementary Information

NOTE 1– BUDGETARY COMPARISON

Budgets and Budgetary Accounting:

The District's Board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School District, annually on or before the last day of July must levy taxes. The governing body of the School District may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year. Taxes for School District purposes must be based upon an itemized budget statement which must show the complete expenditure by program of the District for the current fiscal year and the sources of the revenue from which it is to be financed. The School Board, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the District and to provide a sinking fund to pay and discharge the principal thereon at maturity. During the current year in the General Fund, budgeted expenditures exceeded actual expenditure by $102,500.

The Food Service Fund does not have a legally adopted budget.

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

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

2. The Board reviews the budget, may make revisions, and adopts the final budget before August fifteenth of each year. The budget is then filed with the county auditor by August twenty-fifth of each year.

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

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

NOTE 2 – CHANGES OF BENEFIT TERMS AND ASSUMPTIONS

TFFR

Changes of assumptions

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

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

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

- Investment return assumption lowered from 8.0% to 7.75%.
- Inflation assumption lowered from 3.00% to 2.75%.
- Total salary scale rates lowered by 0.25% due to lower inflation.
- Added explicit administrative expenses assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

NDPERS

Changes of benefit terms.

The interest rate earned on member contributions will decrease from 7.00% to 6.50% effective January 1, 2020 (based on the adoption decrease in the investment return assumption). New main System members who are hired on or after January 1, 2020, will have benefit multiplier of 1.75% (compared to the current benefit multiplier of 2.00%). The fixed employer contribution for new members of the Main System will increase from 7.12% to 8.26%.

For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019, or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

Changes of assumptions.

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

- The investment return assumption was lowered from 7.75% to 7.00%.
- The assumption rate of price inflation was lowered from 2.50% to 2.25% for July 1, 2020, valuation.
- The assumed rate of total payroll growth was updated for July 1, 2020, valuation.
- Mortality table updates were made for July 1, 2020, valuation.

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

OPEB

Changes of assumptions

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

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

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

Changes of benefit terms

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

SOUTH PRAIRIE PUBLIC SCHOOL DISTRICT NO. 70
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
JUNE 30, 2021

Federal Grantor\Pass-through Grantor\Program or Cluster Title	*Federal AL Number*	*Pass-through Grantor Number*	*Federal Expenditures ($)*
United States Department of Agriculture			
Passed through North Dakota Department of Public Instruction			
Child Nutrition Cluster-Cluster			
Food Distribution - Noncash	10.555	F10555	$ 21,186
COVID-19 Summer Food Service Program for Children	10.559	F10559	366,527
Total Child Nutrition Cluster-Cluster			387,713
State Administrative Expenses for Child Nutrition	10.560	F10560	2,180
Fresh Fruit and Vegetable Program	10.582	F10582	12,888
Total Passed through North Dakota Department of Public Instruction			402,781
Total United States Department of Agriculture			402,781
Department of Education			
Passed through North Dakota Department of Public Instruction			
Title I Grants to Local Educational Agencies	84.010	F84010	84,830
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	F84367	5,185
Comprehensive Literacy Development	84.371	F84371	178,720
Student Support and Academic Enrichment Program	84.424	F84424A	13,730
COVID-19 Education Stabilization Fund	84.425	F84425D	78,827
Total Passed through North Dakota Department of Public Instruction			361,292
Passed through Velva Public School District			
Career and Technical Education -- Basic Grants to States	84.048	N/A	13,741
Total Passed through Velva Public School District			13,741
Direct Program			
Rural Education	84.358		10,738
Total Direct Program			10,738
Total Department of Education			385,771
United States Environmental Protection Agency			
Passed through North Dakota Department of Environmental Quality			
Diesel Emissions Reduction Act (DERA) State Grants	66.040	G19.135	47,500
Total United States Environmental Protection Agency			47,500
Department of the Treasury			
Passed through North Dakota Department of Public Instruction			
COVID-19 Coronavirus Relief Fund	21.019	F21019	273,056
Total Department of the Treasury			273,056
Total Expenditures of Federal Awards			$ 1,109,108

See Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedule of expenditures of federal awards (the "Schedule") are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 2 – INDIRECT COST RATE

South Prairie Public School District No. 70 has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 – BASIS OF PRESENTATION

The Schedule includes the federal award activity of the South Prairie Public School District No. 70 under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE 4 – RECONCILIATION TO STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Total per Schedule of Expenditures of Federal Awards	$	1,109,108
EPA School Bus Rebate Program		20,000
IRS Interest Subsidies		20,288
Total Revenue from Federal Sources Reported on Statement of Revenues, Expenditures and Changes in Fund Balances	$	1,149,396

BradyMartz

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

To the Board of Education
South Prairie Public School District No. 70
Minot, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the remaining fund information of the District as of and for the year ended June 30, 2021, and the related notes to the basic financial statements, which collectively comprise South Prairie Public School District No. 70's basic financial statements and have issued our report thereon dated March 9, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Prairie Public School District No. 70's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section 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 and 2021-002 that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether South Prairie Public School District No. 70's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Response To Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brady Martz

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

March 9, 2022

BradyMartz

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

To the Board Members
South Prairie Public School District No. 70
Minot, North Dakota

Report on Compliance for Each Major Federal Program

We have audited the South Prairie Public School District No. 70's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the South Prairie Public School District No. 70's major federal programs for the year ended June 30, 2021. The South Prairie Public School District No. 70's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the South Prairie Public School District No. 70's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.*S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the South Prairie Public School District No. 70's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the South Prairie Public School District No. 70's compliance.

Opinion on Each Major Federal Program

In our opinion, the South Prairie Public School District No. 70 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Other Matters

The results of our audit procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-003. Our opinion on each major federal program is not modified with respect to this matter.

South Prairie Public School District No. 70's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. South Prairie Public School District No. 70's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the South Prairie Public School District No. 70 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 South Prairie Public School District No. 70's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the South Prairie Public School District No. 70's internal control over compliance.

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

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

South Prairie Public School District No. 70's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. South Prairie Public School District No. 70'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.

Brady Martz

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

March 9, 2022

SOUTH PRIARIE PUBLIC SCHOOL DISTRICT NO. 70
SCHEDULE OF FINDINGS AND QUESTIONS COSTS
FOR THE YEAR ENDED JUNE 30, 2021

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	X yes	___ no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	___ yes	X no
Noncompliance material to financial statements noted?	___ yes	X no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	___ yes	X no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	X yes	___ no
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	X yes	___ no

Identification of major programs:

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

Dollar threshold used to distinguish between Type A & Type B programs:	$750,000	
Auditee qualified as low-risk auditee?	___ yes	X no

Section II - Financial Statement Findings

2021-001 Finding

Criteria
Generally, a system of internal control has the proper separation of duties between the authorization, custody, record keeping and reconciliation functions.

Condition
The District's internal control structure does not provide for the proper segregation of duties and reconciliations.

Cause
The number of personnel within the District's accounting department is limited.

Effect
The design of the internal control over financial reporting could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation
The above functions should be reviewed periodically and consideration given to improving segregation of duties. Compensating controls over the underlying financial information may be obtained through oversite by management and the Board.

Management's Response
The District will implement proper segregation of duties when it becomes feasible.

2021-002 Finding

Criteria
An appropriate system of internal control requires the entity to determine that financial statements are properly stated in compliance with accounting principles generally accepted in the United States of America. This requires the District's personnel to maintain knowledge of current accounting principles and required financial statement disclosures

Condition
The District's personnel prepare periodic financial information for internal use that meets the needs of management and the board. However, the District has not designed internal controls to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements required by accounting principles generally accepted in the United States of America for external reporting. The District is aware of the deficiency and obtains auditor assistance with the preparation of the District's annual financial statements.

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

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

Recommendation
We recommend the 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. As a compensating control the District should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Management's Response
The District will implement a policy when it becomes cost effective.

Section III – Federal Award Findings and Questioned Costs

2021-003 – Allowable Costs/Cost Principles – 21.019 Coronavirus Relief Fund

Criteria
Expenditures must be adequately documented and consistent with policies and procedures. All disbursement transactions should have proper written authorization supported with adequate documentation. Internal controls over payroll should be effectively designed and implemented to provide assurance of proper documentation, calculation, and authorization.

Condition
Out of 31 payroll transactions tested, five were missing documentation of approved pay rates.

Cause
Management failed to maintain the necessary supporting documentation for payroll disbursements.

Effect
The lack of internal controls exposes the District to a greater risk of fraudulent payroll disbursements.

Recommendation
We recommend the District review policies and procedures, especially over personnel files, to ensure all disbursements are supported by the appropriate documentation.

Management's Response
The District will review its current policies and procedures to ensure all payroll disbursements are supported by appropriate documentation.

2020–001

Condition:
South Prairie Public School District No. 70, has one person responsible for most accounting functions.

Criteria:
There should be sufficient accounting personnel, so duties of employees are segregated. The segregation of duties would provide better control over the assets of the school.

Effect:
There is no segregation of duties as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and prepare financial statements. This increases the risk of misstatements of the school's financial condition.

Recommendation:
To mitigate the risk associate with the lack of segregation of duties, we recommend the District to separate the duties when it became feasible.

Corrective Action:
None. See current year finding 2021-001.

South Prairie Public School

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www.south-priaire.k12.nd.us

Administration
Wayne Stanley, Superintendent
Darwin Routledge, HS Principal
Delwyn Groninger, Elem Principal

CORRECTIVE ACTION PLAN
JUNE 30, 2021

2021–001

Contact Person:
Barb Magnuson (Business Manager), Wayne Stanley (Superintendent)

Planned Corrective Action:
The District will implement proper segregation of duties when it becomes feasible.

Planned Completion Date:
Ongoing

2021–002

Contact Person:
Barb Magnuson (Business Manager), Wayne Stanley (Superintendent)

Planned Corrective Action:
The District will implement a policy when it becomes cost effective.

Planned Completion Date:
Ongoing

2021–003

Contact Person:
Barb Magnuson (Business Manager), Wayne Stanley (Superintendent)

Planned Corrective Action:
The District will review its current policies and procedures to ensure all payroll disbursements are supported by appropriate documentation.

Planned Completion Date:
June 30, 2022