

**THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
THOMPSON, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
ROSTER OF SCHOOL OFFICIALS - UNAUDITED
AS OF JUNE 30, 2021

Brian Willis	President
Jon Wolfgram	Vice President
Deb Kolling	Board Member
Nick West	Board Member
Monica Norby	Board Member
Charla Peterson	Business Manager
John Maus	Superintendent

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Thompson Public School District No. 61
Thompson, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Thompson Public School District No. 61, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Thompson Public School District No. 61, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 15 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. As discussed in Note 15 to the financial statements, the District has restated the previously reported Net Position and Fund Balances in accordance with this statement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



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

November 12, 2021

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2021

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

FINANCIAL HIGHLIGHTS

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

- Net Position of the District increased \$990,625 as a result of the current year operations.
- Governmental net position totaled \$5,307,765.
- Total revenues from all sources were \$8,163,700.
- Total expenses were \$7,173,075.
- The District's General Fund had \$7,325,057 in total revenues and other financing sources and \$6,690,004 in expenditures and other financing sources. Overall the General Fund balance increased by \$635,053 for the year ended June 30, 2021, compared to a decrease of \$277,030 in the previous year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and related footnotes. These statements are organized so the reader can understand Thompson Public School District No. 61 as a financial whole. The statements then proceed to provide an increasingly detailed look at specific activities.

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

REPORTING THE SCHOOL DISTRICT AS A WHOLE

Statement of Net Position and the Statement of Activities

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

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
JUNE 30, 2021

These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws in North Dakota, facility condition, required educational programs and other factors. In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

Governmental Funds

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

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

As indicated in the financial highlights, the District's net position increased by \$990,625 for the year ended June 30, 2021. Net position may serve over time as a useful indicator of the District's financial position.

The District's net position of \$5,307,765 is segregated into three separate categories. Net investment in capital assets (net of related debt) is not available for future spending. Restricted net position represents resources that are subject to external restrictions on how they must be spent. The unrestricted net position is available to meet the District's ongoing obligations.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
JUNE 30, 2021

Table 1
Statement of Net Position

	2021	2020
Assets		
Current Assets	\$ 8,500,624	\$ 3,289,069
Capital Assets (Net of Accumulated Depreciation)	7,493,441	6,756,447
Total Assets	15,994,065	10,045,516
Deferred Inflows of Resources	2,094,786	1,099,607
Liabilities		
Current Liabilities	441,885	216,900
Long-Term Liabilities	11,908,365	6,331,413
Total Liabilities	12,350,250	6,548,313
Deferred Outflows of Resources	430,836	439,118
Net Position		
Net Investment in Capital Assets	6,011,121	5,536,447
Restricted for Debt Service	39,026	58,219
Restricted for Miscellaneous Levy	26,613	-
Restricted for Student Activities	125,159	-
Restricted for Capital Projects	2,390,207	2,127,289
Unrestricted	(3,284,361)	(3,564,263)
Total Net Position	\$ 5,307,765	\$ 4,157,692

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
JUNE 30, 2021

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

Table 2 Changes in Net Position

	2021	2020
Revenues		
Program Revenues		
Charges for Services	\$ 141,099	\$ 272,415
Operating Grants and Contributions	985,895	275,840
General Revenues		
Taxes	1,320,054	1,310,355
State Aid	5,510,960	5,120,729
Investment Earnings	28,256	54,940
Other Revenues	177,436	5,394
Total Revenues	8,163,700	7,039,673
Expenses		
Business Support Services	71,376	94,213
Instructional Support Services	272,613	264,313
Administration	749,074	657,380
Operations and Maintenance	1,459,296	1,120,992
Transportation	211,056	291,008
Regular Instruction	2,903,760	2,503,291
Special Education	817,705	670,109
Vocational Education	109,024	109,859
Extra-Curricular Activities	368,048	201,623
Food Services	130,326	279,419
Interest and Fees on Long-Term Debt	80,797	25,658
Total Expenses	7,173,075	6,217,865
Changes in Net Position	990,625	821,808
Net Position - Beginning	4,157,692	3,335,884
GASB 84 Adjustment	159,448	-
Net Position - Beginning as Restated	4,317,140	3,335,884
Net Position - Ending	\$ 5,307,765	\$ 4,157,692

Property taxes constitute 16.17% and 18.61%, state aid 67.51% and 72.74%, operating grants and contributions 12.08% and 3.92%, and charges for services make up 1.73% and 3.87% of the total revenues of governmental activities of the District for fiscal years 2021 and 2020, respectively.

Regular instruction comprised 40.48% and 40.26% of District expenses for fiscal years 2021 and 2020, respectively.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
JUNE 30, 2021

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

Table 3

	Total Cost for Year Ended 6/30/2021	Net Cost for Year Ended 6/30/2021	Total Cost for Year Ended 6/30/2020	Net Cost for Year Ended 6/30/2020
Business Support Services	\$ 71,376	\$ (71,376)	\$ 94,213	\$ (94,213)
Instructional Support Services	272,613	(272,613)	264,313	(264,313)
Administration	749,074	(749,074)	657,380	(657,380)
Operations and Maintenance	1,459,296	(1,459,296)	1,120,992	(1,120,992)
Transportation	211,056	(129,423)	291,008	(193,139)
Regular Instruction	2,903,760	(2,490,307)	2,503,291	(2,436,721)
Special Education	817,705	(699,562)	670,109	(578,811)
Vocational Education	109,024	(78,734)	109,859	(100,382)
Extra-Curricular Activities	368,048	(368,048)	201,623	(201,623)
Food Services	130,326	353,149	279,419	3,622
Interest and Fees on Long-Term Debt	80,797	(80,797)	25,658	(25,658)
Total Expenses	\$ 7,173,075	\$ (6,046,081)	\$ 6,217,865	\$ (5,669,610)

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

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

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

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

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

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

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

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

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

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
JUNE 30, 2021

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

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The focus of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unassigned fund balance generally may be used as a measure of the District's net resources available for spending at the end of the fiscal year. These funds are accounted for by using the modified accrual basis of accounting. The District's governmental funds had total revenues of \$8,177,843 and \$7,030,568 and net expenditures of \$7,560,429 and \$6,216,021 for the years ended June 30, 2021 and 2020, respectively. As of June 30, 2021 and 2020, the total fund balance of the District's general fund was \$1,508,535 and \$714,034 and total fund balance for all the District's governmental funds was \$8,378,758 and \$3,196,896, respectively.

GENERAL FUND BUDGETING HIGHLIGHTS

During the course of the 2021 fiscal year, the District's general fund received \$167,108 less revenues and incurred \$826,369 less expenditures than budgeted. This is primarily the result of less other local source revenue received during the year as well as less administration, operations and maintenance, transportation and capital outlay expenditures incurred than anticipated during the budgeting process.

CAPITAL ASSETS

As of June 30, 2021 and 2020, the District had \$7,493,441 and \$6,756,447, respectively, invested in net capital assets. Table 4 shows total capital asset balances as of June 30, 2021 and 2020. See Note 4 for details.

Table 4

	2021	2020
Land	\$ 65,266	\$ 65,266
CIP	922,834	84,950
Buildings	3,816,702	3,775,705
Equipment	2,688,639	2,830,526
Total	\$ 7,493,441	\$ 6,756,447

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
JUNE 30, 2021

DEBT ADMINISTRATION:

As of June 30, 2021, the District had \$12,228,365 in outstanding debt. The net increase in the District debt was \$5,741,952 from June 30, 2020. See below and Note 5 for description of the District's debt:

	Balance 7/1/2020	Additions	Retirements	Balance 6/30/2021	Due in One Year
General Obligation School Building Refunding Bonds of 2012	\$ 420,000	\$ -	\$ 55,000	\$ 365,000	\$ 60,000
Limited Tax School Building Fund Bonds of 2017	800,000	-	100,000	700,000	100,000
Limited Tax School Building Fund Bonds of 2021	-	4,405,000	-	4,405,000	160,000
Compensated Absences	20,047	-	2,614	17,433	-
Net OPEB Liability	22,839	13,296	7,186	28,949	-
Net Pension Liability	<u>5,223,527</u>	<u>2,619,571</u>	<u>1,131,115</u>	<u>6,711,983</u>	<u>-</u>
Total	<u>\$6,486,413</u>	<u>\$7,037,867</u>	<u>\$1,295,915</u>	<u>\$12,228,365</u>	<u>\$320,000</u>

FOR THE FUTURE:

District enrollment continues to increase at a faster rate than anticipated over the past six years. Therefore, the District has hired an additional FTE in K-6 for the 2021-2022 school year as well as 1 FTE in the non-certified department. The staffing and facility issues of the District will continue to be addressed while utilizing and sharing as many staff as possible with local districts and sharing resources and equipment with other schools when possible. The District is planning to add 1 FTE in high school, 1 FTE in elementary and our halftime high school counselor will be a full-time position for the 2022-2023 school year. The District will continue to be aggressive in securing grants to help with revenue and growth. Also, the District will continue to work through the COVID-19 pandemic.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT:

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. You may request a copy of this report by contacting Charla Peterson, Business Manager, Thompson Public School District, P.O. Box 269, Thompson, ND 58278.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities
ASSETS	
Current Assets:	
Cash	\$ 8,470,635
Taxes Receivable	29,989
Total Current Assets	8,500,624
Non-Current Assets:	
Capital Assets	14,000,134
Less Accumulated Depreciation	6,506,693
Total Non-Current Assets	7,493,441
TOTAL ASSETS	15,994,065
DEFERRED OUTFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	1,203,598
Cost Sharing Defined Benefit Pension Plan - NDPERS	876,695
Cost Sharing Defined Benefit OPEB Plan - NDPERS	14,493
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,094,786
LIABILITIES	
Current Liabilities:	
Accounts Payable	44,008
Accrued Liabilities	51,137
Interest Payable	26,740
Current Portion of Bonds Payable	320,000
Total Current Liabilities	441,885
Non-Current Liabilities:	
Compensated Absences	17,433
Bonds Payable (Net of Current Portion)	5,150,000
Net OPEB Liability	28,949
Net Pension Liability	6,711,983
Total Non-Current Liabilities	11,908,365
TOTAL LIABILITIES	12,350,250
DEFERRED INFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	221,496
Cost Sharing Defined Benefit Pension Plan - NDPERS	205,865
Cost Sharing Defined Benefit OPEB Plan - NDPERS	3,475
TOTAL DEFERRED INFLOWS OF RESOURCES	430,836
NET POSITION	
Net Investment in Capital Assets	6,011,121
Restricted for Debt Service	39,026
Restricted for Miscellaneous Levy	26,613
Restricted for Student Activities	125,159
Restricted for Capital Projects	2,390,207
Unrestricted	(3,284,361)
TOTAL NET POSITION	\$ 5,307,765

See Notes to the Financial Statements

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES				
Business Support Services	\$ 71,376	\$ -	\$ -	\$ (71,376)
Instructional Support Services	272,613	-	-	(272,613)
Administration	749,074	-	-	(749,074)
Operations and Maintenance	1,459,296	-	-	(1,459,296)
Transportation	211,056	-	81,633	(129,423)
Regular Instruction	2,903,760	15,683	397,770	(2,490,307)
Special Education	817,705	99,713	18,430	(699,562)
Vocational Education	109,024	-	30,290	(78,734)
Extra-Curricular Activities	368,048	-	-	(368,048)
Food Services	130,326	25,703	457,772	353,149
Interest and Fees on Long-Term Debt	80,797	-	-	(80,797)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 7,173,075	\$ 141,099	\$ 985,895	(6,046,081)
GENERAL REVENUES				
Property Taxes, Levied for General Purposes				967,543
Property Taxes, Levied for Debt Service				62,272
Property Taxes, Levied for Capital Projects				290,239
Aids and Payments from the State				5,510,960
Unrestricted Investment Earnings				28,256
Other Revenues				177,436
TOTAL GENERAL REVENUES				7,036,706
Change in Net Position				990,625
Net Position - Beginning				4,157,692
GASB 84 Adjustment - See Note 15				159,448
Net Position - Beginning as Restated				4,317,140
Net Position - Ending				\$ 5,307,765

See Notes to the Financial Statements

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF JUNE 30, 2021

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 1,559,754	\$ 6,411,421	\$ 499,460	\$ 8,470,635
Property Taxes Receivable	21,819	6,693	1,477	29,989
TOTAL ASSETS	\$ 1,581,573	\$ 6,418,114	\$ 500,937	\$ 8,500,624
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Accounts Payable	\$ 3,781	\$ 40,227	\$ -	\$ 44,008
Accrued Liabilities	49,824	-	1,313	51,137
TOTAL LIABILITIES	53,605	40,227	1,313	95,145
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Delinquent Taxes	19,433	5,976	1,312	26,721
TOTAL DEFERRED INFLOWS OF RESOURCES	19,433	5,976	1,312	26,721
FUND BALANCES				
Restricted	151,772	6,371,911	64,454	6,588,137
Committed	-	-	137,093	137,093
Assigned	-	-	296,765	296,765
Unassigned	1,356,763	-	-	1,356,763
TOTAL FUND BALANCES	1,508,535	6,371,911	498,312	8,378,758
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,581,573	\$ 6,418,114	\$ 500,937	\$ 8,500,624

See Notes to the Financial Statements

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2021

Total fund balance - governmental funds \$ 8,378,758

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 assets in governmental funds.

Cost	\$ 14,000,134	
Less: Accumulated Depreciation	<u>6,506,693</u>	
Net		7,493,441

Net deferred outflows/(inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows/(inflows) or resources in the governmental funds. 1,663,950

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 unearned in the funds. 26,721

Long-term liabilities are not due and payable in the current period and, therefore are not reported as liabilities in the funds. These long-term liabilities consisted of the following:

Bonds Payable	(5,470,000)
Compensated Absences	(17,433)
Net OPEB Liability	(28,949)
Net Pension Liability	(6,711,983)

Interest payable is not due and payable in the current period and, therefore is not reported as a liability in the governmental fund. (26,740)

Net Position - Governmental Activities \$ 5,307,765

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local Property Taxes	\$ 981,686	\$ 290,239	\$ 62,272	\$ 1,334,197
Other Local Sources	292,832	-	25,703	318,535
Revenue from State Sources	5,615,851	-	1,453	5,617,304
Revenue from Federal Sources	423,232	-	456,319	879,551
Interest	11,456	16,613	187	28,256
TOTAL REVENUES	7,325,057	306,852	545,934	8,177,843
EXPENDITURES				
Current:				
Business Support Services	71,376	-	-	71,376
Instructional Support Services	272,613	-	-	272,613
Administration	749,074	-	-	749,074
Operations and Maintenance	1,240,940	252	-	1,241,192
Transportation	137,505	-	-	137,505
Regular Instruction	2,284,292	-	-	2,284,292
Special Education	817,705	-	-	817,705
Vocational Education	109,024	-	-	109,024
Extra-Curricular Activities	368,048	-	-	368,048
Food Services	-	-	130,326	130,326
Capital Outlay:				
Capital Outlay	525,002	417,320	217,303	1,159,625
Debt Service:				
Principal Retirement	100,000	-	55,000	155,000
Interest and Fees on Long-Term Debt	14,425	40,750	9,474	64,649
TOTAL EXPENDITURES	6,690,004	458,322	412,103	7,560,429
Excess (Deficiency) of Revenues Over Expenditures	635,053	(151,470)	133,831	617,414
OTHER FINANCING SOURCES (USES)				
Issuance of Debt	-	4,405,000	-	4,405,000
TOTAL OTHER FINANCING SOURCES (USES)	-	4,405,000	-	4,405,000
Net Change in Fund Balances	635,053	4,253,530	133,831	5,022,414
Fund Balances - Beginning of Year, as Originally Reported	714,034	2,118,381	364,481	3,196,896
GASB 84 Adjustment - See Note 15	159,448	-	-	159,448
Fund Balances - Beginning of Year, as Restated	873,482	2,118,381	364,481	3,356,344
Fund Balances - End of Year	\$ 1,508,535	\$ 6,371,911	\$ 498,312	\$ 8,378,758

See Notes to the Financial Statements

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE DISTRICT-WIDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Total net change in fund balances - Governmental Funds \$ 5,022,414

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. In the current period, these amounts are:

Capital Outlay	\$ 1,159,625	
Depreciation Expense	<u>(425,969)</u>	733,656
Gain on Trade-in of Capital Assets		3,337
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.		155,000
Change in OPEB liability		(6,110)
Change in net pension liability		(1,488,456)
Issuance of long-term debt is reported as revenue in governmental funds. However, the issuance increases long-term liabilities in the statement of net position.		(4,405,000)
(Increase) Decrease in compensated absences		2,614
Some revenues will not be collected for several months after the District's fiscal year end. These revenues are not considered "available" revenues in the governmental funds. These consist of:		
Net change in deferred property taxes		(14,143)
Changes in deferred outflows and inflows of resources related to net pension liability		1,003,461
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded 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. Accrued interest increased by \$16,148		<u>(16,148)</u>
Change in Net Position - Governmental Activities		<u><u>\$ 990,625</u></u>

See Notes to the Financial Statements

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2021

NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Thompson Public School District operates the public schools in the City of Thompson, North Dakota. There is one elementary school and one junior/senior high school that is enclosed in one building.

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, grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District.

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

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2021

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. Non-major funds are aggregated and presented in a single column.

Fund Accounting

The District's funds consist of the following:

Governmental Funds:

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

General Fund

This fund is the general operating fund of the District. It accounts for all financial resources except those requiring to be accounted for in another fund, including the Student Activity Fund.

Building Fund

The Building fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for acquiring school sites, constructing and equipping new school facilities and renovating existing facilities.

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

Food Service Fund

This Food Service fund is used to account for the accumulation of revenue and proceeds and for the payments of expenditures related to the providing of meals at the District.

Bond Sinking Fund

The Bond Sinking fund is used to account for the accumulation of resources for, and the payments of bonds.

Special Reserve Fund

The Special Reserve fund is used to account for the proceeds of certain specific revenue sources that are committed for specified purposes.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2021

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 District'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.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2021

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

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

Unearned Revenues:

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

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

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2021

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

1. The administration prepares the District's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.
2. The Board reviews the budget, may make revisions, and adopts the final budget on or before August 15th of each year. The budget is then filed with the county auditor by August 25th of each year.
3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10th of each year. The budget amounts shown in the financial statements are the final authorized amounts.
4. All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

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.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2021

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 \$750. 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	5 to 20 Years

Short-Term and Long-Term Obligations:

All payables 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.

Compensated Absences:

Vacation and sick pay applies to full-time non-certified staff and is recorded as an expenditure when paid.

Sick leave for full time employees will be accumulated at the rate of one day for each month of continuous service, not to exceed 12 days per year. Sick leave for full-time employees will be allowed to accumulate to a maximum of 90 days. Sick leave for part-time employees will not exceed 12 days for twelve month employees and 9 days for nine month employees. Sick leave for part-time employees will be allowed to accumulate to a maximum of 90 days for twelve month employees and 54 days for nine month employees. Teachers with 20 years of service or more to the District will be reimbursed \$20 for each unused accumulated sick leave day, not to exceed 90 days when they resign or retire.

Full-time employees are eligible for anywhere from five to twenty vacation days depending on years of service. Vacation may not be carried over to the next fiscal year. Upon termination of employment, all unused vacation earned will be paid.

Pensions:

For the 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 Employees 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.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2021

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 – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the school board—the District's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the school board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification reflects the amounts constrained by the District's "intent" to be used for specific purposes, but are neither restricted nor committed. The school board and superintendent have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the District's preference is to first use restricted resources, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2021

The school board has set a General Fund minimum fund balance target at 25% of expenditures and recurring transfers.

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 one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue – delinquent taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also has two items reported on the statement of net position as *cost sharing defined benefit 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 of 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.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2021

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.

Extraordinary and Special Items:

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the School Board and are either unusual in nature or infrequent in occurrence.

Estimates:

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

Revenue Recognition - Property Taxes:

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

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

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

Significant Group Concentrations of Credit Risk:

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

NOTE 3 CASH AND CASH EQUIVALENTS

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.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2021

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 \$8,470,635 and the bank balance was \$8,770,943. 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.

Credit Risk:

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

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

Interest Rate Risk:

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

Concentration of Credit Risk:

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

Custodial Credit Risk – Investments:

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

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2021

NOTE 4 CAPITAL ASSETS

The following is a summary of changes in the capital asset account group during the year:

Governmental Activities	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2021</u>
Capital Assets Not Being Depreciated				
Land	\$ 65,266	\$ -	\$ -	\$ 65,266
Construction in Progress	84,950	837,884	-	922,834
Total Capital Assets Not Being Depreciated	<u>150,216</u>	<u>837,884</u>	<u>-</u>	<u>988,100</u>
Capital Assets Being Depreciated				
Buildings	7,514,371	175,311	-	7,689,682
Equipment	5,181,896	233,588	93,132	5,322,352
Total Capital Assets Being Depreciated	<u>12,696,267</u>	<u>408,899</u>	<u>93,132</u>	<u>13,012,034</u>
Less Accumulated Depreciation				
Buildings	3,738,666	134,314	-	3,872,980
Equipment	2,351,370	291,655	9,312	2,633,713
Total Accumulated Depreciation	<u>6,090,036</u>	<u>425,969</u>	<u>9,312</u>	<u>6,506,693</u>
Net Capital Assets Being Depreciated	<u>6,606,231</u>	<u>(17,070)</u>	<u>83,820</u>	<u>6,505,341</u>
Net Capital Assets for Governmental Activities	<u>\$6,756,447</u>	<u>\$ 820,814</u>	<u>\$ 83,820</u>	<u>\$ 7,493,441</u>

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

	<u>Depreciation</u>	<u>Additions - Net of Trade-in Allowance</u>
Elementary and Secondary Regular Instruction	\$134,314	\$ -
Operations and Maintenance	218,104	1,159,625
Transportation	73,551	-
Total	<u>\$425,969</u>	<u>\$ 1,159,625</u>

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2021

NOTE 5 LONG-TERM DEBT

The School District issued bonds in prior years 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
General Obligation School Building Refunding Bonds of 2012	\$ 420,000	\$ -	\$ 55,000	\$ 365,000	\$ 60,000
Limited Tax School Building Fund Bonds of 2017	800,000	-	100,000	700,000	100,000
Limited Tax School Building Fund Bonds of 2021	-	4,405,000	-	4,405,000	160,000
Compensated Absences	20,047	-	2,614	17,433	-
Net OPEB Liability	22,839	13,296	7,186	28,949	-
Net Pension Liability	5,223,527	2,619,571	1,131,115	6,711,983	-
Total	\$6,486,413	\$7,037,867	\$1,295,915	\$12,228,365	\$320,000

The General Obligation School Building Refunding Bonds of 2012 carries an interest rate of 2-2.35%, matures in the year ending June 30, 2027 and is secured by property taxes. The Limited Tax School Building Fund Bonds of 2017 carries an interest rate of 1.75-2.4%, matures in the year ending June 30, 2028 and secured by funds received from the School Building Fund Levy. The Limited Tax School Building Fund Bonds of 2021 carries an interest rate of 1.00-1.65%, matures in the year ending June 30, 2041 and secured by funds received from the School Building Fund Levy.

Compensated absences, net OPEB liability and net pension liability are generally liquidated through the general fund.

Interest expense was \$64,649 for the year ended June 30, 2021.

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

Year Ending June 30	2012 General Obligation School Building Refunding Bonds		
	Principal	Interest	Total
2022	\$ 60,000	\$ 8,123	\$ 68,123
2023	60,000	6,713	66,713
2024	60,000	5,303	65,303
2025	60,000	3,893	63,893
2026	65,000	2,359	67,359
2027-2031	60,000	765	60,765
Total	\$ 365,000	\$ 27,156	\$ 392,156

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2021

Year Ending June 30	2017 Limited Tax School Building Fund Bonds		
	Principal	Interest	Total
2022	\$ 100,000	\$ 12,500	\$ 112,500
2023	100,000	10,750	110,750
2024	100,000	9,000	109,000
2025	100,000	7,250	107,250
2026	100,000	5,500	105,500
2027-2031	<u>200,000</u>	<u>4,320</u>	<u>204,320</u>
Total	<u>\$ 700,000</u>	<u>\$ 49,320</u>	<u>\$ 749,320</u>

Year Ending June 30	2021 Limited Tax School Building Fund Bonds		
	Principal	Interest	Total
2022	\$ 160,000	\$ 47,448	\$ 207,448
2023	135,000	50,680	185,680
2024	135,000	49,330	184,330
2025	140,000	47,955	187,955
2026	140,000	46,555	186,555
2027-2031	1,035,000	206,452	1,241,452
2032-2036	1,275,000	143,453	1,418,453
2037-2041	<u>1,385,000</u>	<u>55,297</u>	<u>1,440,297</u>
Total	<u>\$4,405,000</u>	<u>\$ 647,170</u>	<u>\$5,052,170</u>

NOTE 6 FUND BALANCES

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

	General Fund	Building Fund	Bond Sinking Fund	Food Service	Special Reserve	Total
Restricted for:						
Debt Service	\$ -	\$ -	\$ 64,454	\$ -	\$ -	\$ 64,454
Miscellaneous Levy	26,613					26,613
Student Activities	125,159					125,159
Capital Projects	-	6,371,911	-	-	-	6,371,911
Committed						
Special Reserve	-	-	-	-	137,093	137,093
Assigned to:						
Food Service	-	-	-	296,765	-	296,765
Unassigned						
General Fund	<u>1,356,763</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,356,763</u>
Total Restricted	<u>\$1,508,535</u>	<u>\$ 6,371,911</u>	<u>\$ 64,454</u>	<u>\$296,765</u>	<u>\$137,093</u>	<u>\$8,378,758</u>

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2021

NOTE 7 DEFINED BENEFIT PENSION PLANS - STATEWIDE

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

Disclosures relating to these plans follow:

North Dakota Teacher's Fund For Retirement

The following brief description of TFFR is provided for general information purposes only. Participants should refer to NDCC Chapter 15-39.1 for more complete information. TFFR is a cost-sharing multiple-employer defined benefit pension plan covering all North Dakota public teachers and certain other teachers who meet various membership requirements. TFFR provides for pension, death and disability benefits. The cost to administer the TFFR plan is financed by investment income and contributions.

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2021

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.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2021

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 \$5,446,685 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 0.355875%, which was an increase of 0.002563% from its proportion measured at July 1, 2019.

For the year ended June 30, 2021, the Employer recognized pension expense of \$634,122. At June 30, 2021, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 1,123	\$ 204,403
Changes in actuarial assumptions	245,149	-
Difference between projected and actual investment earnings	336,232	-
Changes in proportion	277,457	17,093
Contributions paid to TFFR subsequent to the measurement date	<u>343,637</u>	<u>-</u>
Total	<u>\$ 1,203,598</u>	<u>\$ 221,496</u>

\$343,637 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:

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2021

<u>Year ending June 30:</u>	<u>Pension Expense Amount</u>
2022	\$ 159,558
2023	161,903
2024	170,522
2025	107,629
2026	18,079
Thereafter	20,774

Actuarial Assumptions

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

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

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

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

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

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

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

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2021

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equities	58.00%	6.90%
Global Fixed Income	23.00%	1.30%
Global Real Assets	18.00%	5.00%
Cash Equivalents	1.00%	0.00%

Discount Rate

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

Pension Liability Sensitivity

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

	1% Decrease in Discount Rate 6.25%	Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
School's proportionate share of the TFFR net pension liability:	\$ 7,254,692	\$ 5,446,685	\$ 3,944,139

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued TFFR financial report.

North Dakota Public Employees’ Retirement System

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

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

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

Pension Benefits

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

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2021

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 25 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 \$1,265,298 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 0.040220%, which was an increase of 0.009720% from its proportion measured at June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$240,407. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2021

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 4,924	\$ 64,114
Difference between contribution and proportionate share contribution	112,156	29,615
Changes in actuarial assumptions	678,280	112,136
Difference between projected and actual investment earnings	40,837	-
Contributions paid to NDPERS subsequent to the measurement date	40,498	-
Total	<u>\$ 876,695</u>	<u>\$ 205,865</u>

\$40,498 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022.

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

<u>Year Ending June 30:</u>	<u>Pension Expense Amount</u>
2022	\$ 181,510
2023	158,507
2024	137,797
2025	152,518
2026	-

Actuarial Assumptions

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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 3.64%	Discount Rate 4.64%	1% Increase in Discount Rate 5.64%
School's proportionate share of the NDPERS net pension liability:	\$ 1,641,630	\$ 1,265,298	\$ 957,368

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2021

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

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

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

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

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2021

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

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

At June 30, 2021, the District reported a liability of \$28,949 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 0.034414 percent, which was an increase of 0.005979% from June 30, 2019.

For the year ended June 30, 2021, the District recognized OPEB expense of \$4,486. 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	\$ 643	\$ 694
Changes of assumptions	3,882	-
Net difference between projected and actual earnings on OPEB plan investments	996	-
Changes in proportion and differences between employer contributions and proportionate share of contribution	4,263	2,781
District contributions subsequent to the measurement date	4,709	-
Total	\$ 14,493	\$ 3,475

\$4,709 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.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2021

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	\$	1,252
2023		1,509
2024		1,462
2025		1,173
2026		842
2027		71
Thereafter		-

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

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

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap Domestic Equities	33.00%	6.10%
Small Cap Domestic Equities	6.00%	7.00%
Domestic Fixed Income	40.00%	1.15%
International Equities	21.00%	6.45%

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2021

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, 2019, and July 1, 2018, 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%, 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	\$ 37,967	\$ 28,949	\$ 21,323

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, boiler and machinery, accident and inland marine insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence.

The District participates in the North Dakota Fire and Tornado Fund and 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.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2021

The State Bonding Fund currently provides the District with blanket fidelity bond coverage with a limit of \$800,000. The State Bonding Fund does not currently charge a premium for this coverage.

The District carries commercial insurance for employee's health and the District also participates in the workers' compensation program through the State of North Dakota. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 10 TRANSFERS

The District had no transfers of District funds between funds during the year ended June 30, 2021.

NOTE 11 COMMITMENTS

Construction Commitments

The District currently has construction in progress as noted in Note 4 that include a gymnasium and classroom addition project, a gymnasium remodel project, a fire alarm replacement project and a baseball field speaker project. Total contract commitments are \$6,577,272 for the gymnasium and classroom addition project, \$108,669 for the fire alarm replacement project and \$3,495 for the baseball field speaker project. Construction payments for the year ended June 30, 2021 totaled \$767,823 for the gymnasium and classroom addition project, \$102,610 for the gymnasium remodel project, \$50,303 for the fire alarm replacement project and \$2,097 for the baseball field speaker project.

NOTE 12 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 13 NON-MONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its hot lunch program. The market value of commodities received for the year ended June 30, 2021 was \$27,216.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2021

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.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2021

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.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2021

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 the effect these statements will have on the District's financial statements.

NOTE 15 CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

The District implemented GASB Statement No. 84, Fiduciary Activities. As a result, beginning net position has been restated to reflect the related fund balance of resources as of July 1, 2020 and general fund balance have been restated as follows::

Net Position July 1, 2020 as previously reported	\$4,157,692
Restatement for fiduciary accounting:	
Student Activity Fund Balance	159,448
Net Position July 1, 2020 as restated	\$4,317,140
General Fund Balance July 1, 2020 as previously reported	\$ 714,034
Restatement for fiduciary accounting:	
Student Activity Fund Balance	159,448
General Fund Balance July 1, 2020 as restated	\$ 873,482

NOTE 16 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through November 12, 2021, which is the date these financial statements were available to be issued.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>			Over (Under) Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Local Property Taxes	\$ 1,002,102	\$ 1,002,102	\$ 981,686	\$ (20,416)
Other Local Sources	437,625	437,625	292,832	(144,793)
Revenue from State Sources	5,609,383	5,609,383	5,615,851	6,468
Revenue from Federal Sources	403,030	403,030	423,232	20,202
Interest	40,025	40,025	11,456	(28,569)
TOTAL REVENUES	<u>7,492,165</u>	<u>7,492,165</u>	<u>7,325,057</u>	<u>(167,108)</u>
EXPENDITURES				
Business Support Services	75,764	75,764	71,376	(4,388)
Instructional Support Services	283,644	283,644	272,613	(11,031)
Administration	1,000,087	1,000,087	749,074	(251,013)
Operations and Maintenance	1,456,974	1,456,974	1,240,940	(216,034)
Transportation	352,786	352,786	137,505	(215,281)
Regular Instruction	1,558,233	1,558,233	2,284,292	726,059
Special Education	799,682	799,682	817,705	18,023
Vocational Education	103,315	103,315	109,024	5,709
Capital Outlay	1,297,828	1,297,828	525,002	(772,826)
Principal Retirement	-	-	100,000	100,000
Interest and Fees On Long-Term Debt	-	-	14,425	14,425
Extra-Curricular Activities	588,060	588,060	368,048	(220,012)
TOTAL EXPENDITURES	<u>7,516,373</u>	<u>7,516,373</u>	<u>6,690,004</u>	<u>(826,369)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(24,208)</u>	<u>(24,208)</u>	<u>635,053</u>	<u>659,261</u>
Net Change in Fund Balances	(24,208)	(24,208)	635,053	659,261
Fund Balances - Beginning of Year, as Originally Reported	714,034	714,034	714,034	
GASB 84 Adjustment - See Note 15	-	-	159,448	
Fund Balances - Beginning of Year, as Restated	<u>873,482</u>	<u>873,482</u>	<u>873,482</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 849,274</u>	<u>\$ 849,274</u>	<u>\$ 1,508,535</u>	<u>\$ 659,261</u>

See Note to the Budgetary Comparison Schedule

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTE TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2021

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, budgeted expenditures exceeded actual expenditures by \$826,369.

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

1. The administration prepares the District's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.
2. The Board reviews the budget, may make revisions, and adopts the final budget on or before August 15th of each year. The budget is then filed with the county auditor by August 25th of each year.
3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10th of each year. The budget amounts shown in the financial statements are the final authorized amounts.
4. All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE TFFR/NDPERS RETIREMENT PLANS
LAST TEN YEARS

Teachers Fund for Retirement

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2021	\$ 343,637	\$ (343,637)	-	\$ 2,695,196	12.75%
2020	331,126	(331,126)	-	2,597,070	12.75%
2019	316,019	(316,019)	-	2,478,584	12.75%
2018	301,905	(301,905)	-	2,367,880	12.75%
2017	287,922	(287,922)	-	2,258,242	12.75%
2016	265,899	(265,899)	-	2,085,483	12.75%
2015	243,803	(243,803)	-	1,912,181	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	\$ 40,498	\$ (40,498)	-	\$ 545,293	7.43%
2020	29,408	(29,408)	-	413,037	7.12%
2019	26,218	(26,218)	-	368,230	7.12%
2018	25,622	(25,622)	-	359,866	7.12%
2017	26,561	(26,561)	-	366,651	7.24%
2016	26,403	(26,403)	-	365,776	7.22%
2015	24,156	(24,156)	-	332,743	7.26%

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

See Note to the Required Supplementary Information

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE NDPERS OPEB PLANS
LAST TEN YEARS

North Dakota Public Employees Retirement System - OPEB

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered - Employee Payroll	Contributions as a Percentage of Covered - Employee Payroll
2021	\$ 4,709	\$ 4,709	\$ -	\$ 545,293	0.86%
2020	4,709	4,709	-	413,037	1.14%
2019	4,198	4,198	-	368,230	1.14%
2018	4,103	4,103	-	359,866	1.14%

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

See Note to the Required Supplementary Information

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
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
2021	0.355875%	\$ 5,446,685	\$ 2,596,683	209.76%	63.40%
2020	0.353312%	4,865,998	2,478,584	196.32%	65.50%
2019	0.348315%	4,642,548	2,367,880	196.06%	65.50%
2018	0.336027%	4,615,423	2,268,089	203.49%	63.20%
2017	0.320979%	4,702,535	2,085,482	225.49%	59.20%
2016	0.310871%	4,065,742	1,912,181	212.62%	62.10%
2015	0.321196%	3,365,565	1,863,106	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
2021	0.040220%	\$ 1,265,298	\$ 443,669	285.19%	48.91%
2020	0.030500%	357,529	368,230	97.09%	71.66%
2019	0.029476%	497,440	359,866	138.23%	62.80%
2018	0.036619%	588,588	366,651	160.53%	61.98%
2017	0.034583%	337,045	365,776	92.15%	70.46%
2016	0.035253%	239,714	332,743	72.04%	77.15%
2015	0.038066%	241,613	323,403	74.71%	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 Note to the Required Supplementary Information

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
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
2021	0.0344%	\$ 28,949	\$ 392,305	7.38%	63.38%
2020	0.0284%	22,839	368,230	6.20%	63.13%
2019	0.0277%	21,795	359,866	6.06%	61.89%
2018	0.0346%	27,333	366,651	7.45%	59.78%

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. 75 for its fiscal year ended June 30, 2018. Information for prior years is not available.

See Note to the Required Supplementary Information

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 CHANGES OF BENEFIT TERMS AND ASSUMPTIONS

TFFR

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

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

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

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

NDPERS

Changes of benefit terms.

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

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021

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

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

OPEB

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.

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.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2021

	Food Service	Bond Sinking	Special Reserve	Total Non-Major Governmental Funds
ASSETS				
Cash	\$298,078	\$ 64,289	\$137,093	\$ 499,460
Property Taxes Receivable	-	1,477	-	1,477
TOTAL ASSETS	<u>\$298,078</u>	<u>\$ 65,766</u>	<u>\$137,093</u>	<u>\$ 500,937</u>
LIABILITIES AND FUND BALANCE				
Accrued Liabilities	\$ 1,313	\$ -	\$ -	\$ 1,313
TOTAL LIABILITIES	<u>1,313</u>	<u>-</u>	<u>-</u>	<u>1,313</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Delinquent Taxes	\$ -	\$ 1,312	\$ -	\$ 1,312
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>1,312</u>	<u>-</u>	<u>1,312</u>
FUND BALANCES				
Restricted	-	64,454	-	64,454
Committed	-	-	137,093	137,093
Assigned	296,765	-	-	296,765
TOTAL FUND BALANCES	<u>296,765</u>	<u>64,454</u>	<u>137,093</u>	<u>498,312</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$298,078</u>	<u>\$ 65,766</u>	<u>\$137,093</u>	<u>\$ 500,937</u>

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Food Service	Bond Sinking	Special Reserve	Total Non-Major Governmental Funds
REVENUES				
Local Property Taxes	\$ -	\$ 62,272	\$ -	\$ 62,272
Other Local Sources	25,703	-	-	25,703
Revenue from State Sources	1,453	-	-	1,453
Revenue from Federal Sources	456,319	-	-	456,319
Interest	56	131	-	187
TOTAL REVENUES	<u>483,531</u>	<u>62,403</u>	<u>-</u>	<u>545,934</u>
EXPENDITURES				
Current:				
Food Services	130,326	-	-	130,326
Capital Outlay:				
Capital Outlay	217,303	-	-	217,303
Debt Service:				
Principal Retirement	-	55,000	-	55,000
Interest and Fees On Long-Term Debt	-	9,474	-	9,474
TOTAL EXPENDITURES	<u>347,629</u>	<u>64,474</u>	<u>-</u>	<u>412,103</u>
Excess of Revenues Over Expenditures	<u>135,902</u>	<u>(2,071)</u>	<u>-</u>	<u>133,831</u>
Net Change in Fund Balances	135,902	(2,071)	-	133,831
Fund Balances - Beginning	<u>160,863</u>	<u>66,525</u>	<u>137,093</u>	<u>364,481</u>
Fund Balances - Ending	<u>\$ 296,765</u>	<u>\$ 64,454</u>	<u>\$ 137,093</u>	<u>\$ 498,312</u>

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
Thompson Public School District No. 61
Thompson, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Thompson Public School District No. 61 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, and have issued our report thereon dated November 12, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Thompson Public School District No. 61's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Thompson Public School District No. 61's financial statements are free from 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of 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 & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

November 12, 2021

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

To the Board of Education
Thompson Public School District No. 61
Thompson, North Dakota

Report on Compliance for Each Major Federal Program

We have audited the Thompson Public School District No. 61's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on Thompson Public School District No. 61's major federal program for the year ended June 30, 2021. Thompson Public School District No. 61's major federal program is 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 Thompson Public School District No. 61'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 Thompson Public School District No. 61'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 the District's major federal program. However, our audit does not provide a legal determination of the Thompson Public School District No. 61's compliance.

Opinion on Each Major Federal Program

In our opinion, Thompson Public School District No. 61, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the Thompson Public School District No. 61, 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 Thompson Public School District No. 61'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 Thompson Public School District No. 61's internal control over compliance.

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

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

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



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

November 12, 2021

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass- Through Number	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Indirect Programs:			
Passed Through North Dakota Department of Public Instruction:			
<i>Child Nutrition Cluster:</i>			
National School Lunch Program - Commodities	N/A	10.555	\$ 27,216
Summer Food Service Program for Children COVID-19	N/A	10.559	427,019
<i>Total Child Nutrition Cluster</i>			454,235
State Administrative Expenses for Child Nutrition	N/A	10.560	2,084
Total Passed Through ND DPI and Total U.S. Department of Agriculture			456,319
<u>U.S. Department of Treasury</u>			
Direct Programs:			
Coronavirus Relief Fund COVID-19		21.019	327,282
Total U.S. Department of Treasury			327,282
<u>U.S. Department of Education</u>			
Direct Programs:			
Rural Education		84.358	28,792
Indirect Programs:			
Passed through Grand Forks Public Schools			
Career and Technical Education - Basic Grants to States		84.048	7,161
Total passed through Grand Forks Public Schools			7,161
Passed Through North Dakota Department of Public Instruction:			
Title I	N/A	84.010	18,430
Title II	N/A	84.367	16,519
Title IV	N/A	84.424	10,000
ESSER Funds COVID-19	N/A	84.425	15,048
Total passed Through North Dakota Department of Public Instruction:			59,997
Total U.S. Department of Education			95,950
Total Federal Awards			\$ 879,551

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 INDIRECT COST RATE

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

NOTE 3 BASIS OF PRESENTATION

The accompanying Schedule includes the federal award activity of Thompson Public School District No. 61 under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Thompson Public School District No. 61, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE 4 PASS-THROUGH ENTITIES

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

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported

Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555 & 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>
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Auditee qualified as low-risk auditee?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
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THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

2021-001 Finding

Criteria

Generally, a system of internal control contemplates separation of duties that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction.

Condition

Lack of sufficient segregation of duties.

Cause

Size and budget constraints limiting the number of personnel within the accounting department.

Effect

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

Repeat Finding

See Finding 2020-001

Recommendation

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

Management's Response

Due to additional costs, the District will continue to keep the staff at the current level. The District will try to involve the Board more actively in the review and supervision of disbursements and transactions

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

2021-002 Finding

Criteria

An appropriate system of internal controls requires the District to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

Condition

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

Cause

The District 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.

Repeat Finding

See finding 2020-002

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

SECTION III – Federal Award Findings and Questioned Costs

There are no findings to be reported in this section.



CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2021

2021-001 Finding

1. Correcting Plan

The District has the following procedures to mitigate the risk:

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

2. Explanation of Disagreement with the Audit Findings

There is essentially no disagreement with the finding.

3. Official Responsible for Insuring CAP

The Superintendent, John Maus, is responsible for carrying out the corrective action plan.

4. Planned Completion Date for CAP

When it becomes economically feasible, the District will hire additional personnel in the accounting department to improve segregation of duties. As such, the completion date is ongoing.

5. Plan to Monitor Completion of CAP

The Superintendent will monitor completion of the CAP, with reports to the Board of Education, on an annual basis.

2021-002 Finding

1. Correcting Plan

School District personnel will establish a policy to document review of financial statements and notes.

2. Explanation of Disagreement with the Audit Findings

There is essentially no disagreement with the finding.

3. Official Responsible for Insuring CAP

The Superintendent, John Maus, is responsible for carrying out the corrective action plan.

4. Planned Completion Date for CAP

School district personnel will attend training annually. The District will approve an internal control policy to document the review of the financial statements within the next 90 days. The journal entries identified will be implemented over a four-year time period.

5. Plan to Monitor Completion of CAP

The superintendent will monitor completion of the CAP, with reports to the Board of Education, on an annual basis.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

2020-001 Finding

Criteria

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

Condition

The District has one employee who is responsible for all accounting functions involved. The employee handles all income monies, prepares the receipts documents, prepares the deposits, issues all checks and distributes them, receives the bank statements and does the reconciliations. The employee also records the receipts and disbursements to the journals and maintains the general ledger. Considering the size of the District, it is not feasible to obtain proper separation of duties and the degree of internal control is severely limited.

Cause

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

Effect

The design of the internal control over financial reporting that 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 District should separate the duties when it becomes feasible.

Management's Response

Due to additional costs, the District will continue to keep the staff at the current level. The District will try to involve the Board more actively in the review and supervision of disbursements and transactions.

Corrective Action Taken

See 2021-001.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

2020-002 Finding

Criteria

An appropriate system of internal controls requires the District to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

Condition

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

Cause

The District does not have the internal expertise needed to handle all aspects of the external financial reporting.

Effect

The District currently does not maintain the working knowledge of current accounting principles generally accepted in the United States of America and required financial statement disclosures to make a determination that financial statements are properly stated in compliance with accounting principles generally accepted in the United States of America.

Recommendation

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

Management's Response

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

Corrective Action Taken

See 2021-002.