

FINANCIAL STATEMENTS

**VALLEY-EDINBURG PUBLIC SCHOOL
DISTRICT NO. 118
EDINBURG, NORTH DAKOTA**

For the Year Ended June 30, 2021

**Hurtt, Mortenson & Rygh
Certified Public Accountants
1203 Park Street East
Park River, North Dakota 58270**

VALLEY-EDINBURG PUBLIC SCHOOL DISTRICT NO. 118
Edinburg, North Dakota
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Year Ended June 30, 2021

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VALLEY-EDINBURG PUBLIC SCHOOL DISTRICT NO. 118

Edinburg, North Dakota

School Officials

Year Ended June 30, 2021

Andrew Gullickson President
Jackson Hall Vice President

Dan Johnson Board Member
Caitlin Evenson Board Member
Nick Otto Board Member
Tom Fagerholt Board Member
Katie Skoog Board Member

Kierstin Hurtt Superintendent

April Howatt Business Manager



INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the School Board
Valley-Edinburg Public School District No. 118
Edinburg, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Valley-Edinburg Public School District No. 118, Edinburg, North Dakota, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School 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.

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Park River, ND 58270
(701) 284-7616

LANGDON

817 3rd Street
FM Mall
Langdon, ND 58249
(701) 256-2427

STEPHEN

413 5th Street
P.O. BOX 45
Stephen, MN 56757
(218) 478-2880

CAVALIER

206 Dakota Street West
P.O. BOX 33
Cavalier, ND 58220
(701) 265-8644

GRAFTON

735 Hill Avenue, Ste 201
Grafton, ND 58237
(701) 352-2285

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Valley-Edinburg Public School District No. 118 as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, the Schedule of the District's Share of Net Pension Liability of the ND Teachers' Fund for Retirement, and the Schedule of the District's Contributions to the ND Teachers' Fund for Retirement as indicated 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 Valley-Edinburg Public School District No. 118, Edinburg, North Dakota's basic financial statements. The Detailed Statement of Revenues, Expenditures, and Changes in Fund Balance – General Fund is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Detailed Statement of Revenues, Expenditures, and Changes in Fund Balance – General Fund 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 Detailed Statement of Revenues, Expenditures, and Changes in Fund Balance – General Fund is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated Error! No document variable supplied., on our consideration of the Valley-Edinburg Public School District No. 118, Edinburg, North Dakota'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 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 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 Valley-Edinburg Public School District No. 118, Edinburg, North Dakota's internal control over financial reporting and compliance.



Hurtt, Mortenson & Rygh
Certified Public Accountants
Park River, North Dakota

December 13, 2021

BASIC FINANCIAL STATEMENTS

VALLEY-EDINBURG PUBLIC SCHOOL DISTRICT NO. 118
Edinburg, North Dakota
Statement of Net Position
June 30, 2021

	Total Governmental Funds
ASSETS:	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 1,393,302
Intergovernmental Accounts Receivable	39,892
Taxes Receivable	80,632
Total Current Assets	1,513,826
NON-CURRENT ASSETS	
Capital Assets, net of Accumulated Depreciation	1,599,459
Total Other Assets	1,599,459
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows - Pension	635,811
Total Deferred Outflows of Resources	635,811
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 3,749,096
LIABILITIES:	
CURRENT LIABILITIES	
Accounts Payable	85,635
Total Current Liabilities	85,635
NON-CURRENT LIABILITIES	
Compensated Absences	27,125
Net Pension Liability	3,229,863
Total Noncurrent Liabilities	3,256,988
Total Liabilities	3,342,623
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows - Pension	570,627
Total Deferred Inflows of Resources	570,627
TOTAL LIABILITIES AND DEFERRED INFLOWS	3,913,250
NET POSITION	
Net Investments in Capital Assets	1,599,459
Restricted for:	
Capital Projects	119,283
Food Service	53,671
Special Reserve	100,809
Unrestricted	(2,037,377)
Total Net Position	(164,154)
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	\$ 3,749,096

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

VALLEY-EDINBURG PUBLIC SCHOOL DISTRICT NO. 118

Edinburg, North Dakota

Statement of Activities

For the Year Ended June 30, 2021

Functions:	Expenditures	Program Revenues			Total Governmental Activities	Net Expenditures Revenues and Change in Net Assets
		Charges for Services	Operating	Capital		
			Grants and Contributions	Grants and Contributions		
Regular Instruction	\$ 1,297,910	\$ -	\$ -	\$ -	\$ -	(1,297,910)
Special Education	401,384	-	5,719	-	-	(395,665)
Career and Technical Education	90,783	-	75,244	-	-	(15,539)
Federal Programs	341,023	-	293,922	-	-	(47,101)
Other Programs	167,761	1,200	-	-	-	(166,561)
Student Support Services:						
Counseling Services	108,627	-	-	-	-	(108,627)
Instructional Staff	104,883	-	-	-	-	(104,883)
General Administration	396,963	-	-	-	-	(396,963)
School Administration (Principal)	269,369	-	-	-	-	(269,369)
Business Office	111,337	-	-	-	-	(111,337)
Operation and Maintenance	361,052	-	-	-	-	(361,052)
Transportation	270,589	-	151,427	-	-	(119,162)
Food Service	171,226	7,723	129,192	-	-	(34,311)
Total District	\$ 4,092,908	\$ 8,923	\$ 655,505	\$ -	\$ -	(3,428,480)

General Revenues:

Property Taxes Levied for:

General Purposes	971,258
Special Reserve	41,694
Building Fund	138,980
Federal & State Aid not restricted to special purposes	2,224,261
Interest Income	8,136
Miscellaneous Revenues	10,912
Gain (Loss) on Disposal of Assets	(2,526)
Total General Revenues	3,392,714

Change in Net Position 35,767

Net Position - July 1 101,514

Prior Period Adjustment 26,874

Net Position as Restated - July 1 128,388

Net Position - June 30 \$ (164,154)

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

VALLEY-EDINBURG PUBLIC SCHOOL DISTRICT NO. 118
 Edinburg, North Dakota
Balance Sheet – Governmental Funds
 June 30, 2021

	General	Special Reserve Fund	Building Fund	Food Service Funds	Total
ASSETS:					
Current Assets:					
Cash	\$ 1,132,523	\$ 97,705	\$ 109,403	\$ 53,671	\$ 1,393,302
Intergovernmental Accounts Receivable	39,546	80	266	-	39,892
Taxes Receivable	67,529	3,024	10,079	-	80,632
Total Assets	\$ 1,239,598	\$ 100,809	\$ 119,748	\$ 53,671	\$ 1,513,826
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:					
Liabilities:					
Current Liabilities	\$ 85,171	\$ -	\$ 465	\$ -	\$ 85,635
Total Liabilities	85,171	-	465	-	85,635
DEFERRED INFLOWS OF RESOURCES					
Uncollected Taxes Receivable	67,529	3,024	10,079	-	80,632
Total Deferred Inflows of Resources	67,529	3,024	10,079	-	80,632
Fund Balance:					
Restricted for:					
Special Reserve Fund	-	97,785	-	-	97,785
Capital Project Fund	-	-	109,204	-	109,204
Food Service Fund	-	-	-	53,671	53,671
Unassigned	1,086,898	-	-	-	1,086,898
Total Fund Balance	1,086,898	97,785	109,204	53,671	1,347,558
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 1,239,598	\$ 100,809	\$ 119,748	\$ 53,671	\$ 1,513,826

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

VALLEY-EDINBURG PUBLIC SCHOOL DISTRICT NO. 118
Edinburg, North Dakota
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net
Position**
June 30, 2021

Total *Fund Balances* for Governmental Funds \$ 1,347,558

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

Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenues in the funds. 80,632

Capital assets used in governmental funds are not financial resources and are not reported in the funds.

Cost of Capital Assets	\$ 2,853,577	
Less Accumulated Depreciation	<u>(1,254,118)</u>	
Net Capital Assets		1,599,459

Long-term liabilities that pertain to governmental funds are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities, both current and long-term are reported in the statement of net position.

Net Pension Liability	(3,229,863)	
Compensated absences payable	<u>(27,125)</u>	
Total Long-Term Liabilities		(3,256,988)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred outflows related to pensions		635,811
Deferred inflows related to pensions		(570,627)

Total <i>Net Position</i> of Governmental Activities		<u><u>\$ (164,154)</u></u>
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The notes to the financial statements are an integral part of this statement.

VALLEY-EDINBURG PUBLIC SCHOOL DISTRICT NO. 118
Edinburg, North Dakota
Statement of Revenues, Expenses and Changes in Fund Balance –
Governmental Funds
For the Year Ended June 30, 2021

	General	Special Reserve Fund	Building Fund	Food Service Funds	Total
Revenues:					
Local Sources	\$ 990,813	\$ 41,842	\$ 139,475	\$ 7,723	\$ 1,179,853
State Sources	2,456,651	-	-	-	2,456,651
Federal Sources	293,922	-	-	129,192	423,115
Other Sources	4,000	-	-	-	4,000
Total Revenues	\$ 3,745,386	\$ 41,842	\$ 139,475	\$ 136,915	\$ 4,063,619
Expenditures					
Current:					
Regular Instruction Programs	1,253,134	-	-	-	1,253,134
Special Education	393,132	-	-	-	393,132
Vocational Education	90,783	-	-	-	90,783
Federal Programs	336,581	-	-	-	336,581
Other Programs	164,497	-	-	-	164,497
Student Support Services:					
Counseling Services	104,705	-	-	-	104,705
Instructional Staff	103,333	-	-	-	103,333
General Administration	391,241	-	-	-	391,241
School Administration (Principal)	259,164	-	-	-	259,164
Business Office	111,337	-	-	-	111,337
Operation and Maintenance	311,046	-	155,862	-	466,908
Transportation	189,806	-	-	-	189,806
Food Service	-	-	-	171,226	171,226
Capital Outlay	82,950	-	-	-	82,950
Total Expenditures	\$ 3,791,710	\$ -	\$ 155,862	\$ 171,226	\$ 4,118,798
Excess Revenues over (under) Expenditures before Interfund Transfers	(46,323)	41,842	(16,386)	(34,311)	(55,179)
Other Financing Sources (Uses):					
Interfund Transfers In	97,545	-	-	60,000	157,545
Interfund Transfers (Out)	(60,000)	(97,545)	-	-	(157,545)
Net Change in Fund Balances	(8,779)	(55,703)	(16,386)	25,689	(55,179)
Fund Balance - July 1	1,095,676	153,488	125,591	27,982	1,402,737
Fund Balance - June 30	\$ 1,086,898	\$ 97,785	\$ 109,204	\$ 53,671	\$ 1,347,558

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

VALLEY-EDINBURG PUBLIC SCHOOL DISTRICT NO. 118
 Edinburg, North Dakota
**Reconciliation of the Statement of Revenues, Expenses, and Changes in Fund Balance –
 Governmental Funds to the Statement of Activities**
 For the Year Ended June 30, 2021

Net change in *Fund Balance* - Total Governmental Funds \$ (55,179)

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

Governmental funds report capital outlays as expenses. However, in the statement of activities assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Asset Additions	249,372	
Gain(Loss) on Disposal of Capital Assets	(2,526)	
Current Year Depreciation Expense	<u>(141,349)</u>	105,497

Governmental funds expense compensated absences as incurred. However, in the statement of activities, compensated absences are expensed when the liability is deemed measurable. This is the amount the accrued compensated absences increased during the year

(Increase)/Decrease in compensated absences (2,692)

Governmental funds record taxes as received, however in the statement of activities taxes are recorded as revenue in the year they are levied for. This is the amount that revenues differ on the Statement of Activities.

Increase/(Decrease) in uncollected taxes receivable (3,952)

Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

District pension contributions	199,598	
Cost of benefits earned net of employee contributions	<u>(279,039)</u>	(79,441)

Change in *Net Position* of Governmental Activities \$ (35,767)

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

VALLEY-EDINBURG PUBLIC SCHOOL DISTRICT NO. 118
Edinburg, North Dakota
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2021

	<u>Custodial Funds</u>
Assets	
Cash and Cash Equivalents	<u>\$ 82,157</u>
Total Assets	<u><u>\$ 82,157</u></u>
Net Position	
Restricted for:	
Individuals and Organizations: Student Groups	\$ 62,172
Individuals and Organizations: Flex Benefits	<u>19,985</u>
Total Net Position	<u><u>\$ 82,157</u></u>

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

VALLEY-EDINBURG PUBLIC SCHOOL DISTRICT NO. 118
 Edinburg, North Dakota
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
 June 30, 2021

	Custodial Funds
Additions	
Student Related Activities	73,346
Employee and Employer Contributions	26,450
Total Revenues	99,796
 Deductions	
Student Related Activities	50,322
Flex Benefit Payments	22,587
Administration Fees	223
Total Deductions	73,131
Net Increase (Decrease) in Fiduciary Net Position	26,664
Net Position - July 1	55,493
Net Position - June 30	82,157

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

VALLEY-EDINBURG PUBLIC SCHOOL DISTRICT NO. 118

Edinburg, North Dakota

Notes to the Financial Statements

June 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Valley-Edinburg Public School District No. 118 have been prepared in conformity with generally accepted accounting principles (*GAAP*) as applied to government units in the United States of America. The *Governmental Accounting Standards Board (GASB)* is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

The District's Board of Education is the basic level of government, which has financial accountability responsibility and control over all activities related to the public school education in the district's boundaries. The board receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined by the related Governmental Account Standards Board Statement 14, since the board members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operation and primary accountability for fiscal matters. In addition, there are no component units as defined in Governmental Accounting Standards Board Statement 14, which are included in the district's reporting entity.

The district's basic financial statements include all of the district's operations. The basic financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from Valley-Edinburg Public School District No. 118.

B. Basis of Presentation

Government-wide Statements: The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the district. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to students or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues, as are internally dedicated resources.

Governmental Fund Financial Statements: Separate financial statements are provided for governmental funds including fiduciary funds. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, reserves, fund equity, revenues and expenditures, as appropriate. Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Major individual governmental funds are reported as separate columns in the fund financial statements.

The school district reports the following major governmental funds:

General Fund – The general fund is the primary operating fund of the district. It is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from this fund.

Special Reserve Fund – The district may levy a tax sufficient to establish, maintain or replenish the special revenue fund for the use and benefit of the school district.

Building Fund – This fund has its own mill levy dedicated to major construction projects. Levy funds can also be used for property insurance premiums covering school district property.

Food Service Fund – This fund accounts for the receipts and disbursements of funds attributable to the hot lunch program.

Fiduciary Funds - The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because the District cannot use these assets to finance its operations..

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. An exception to this is federal and state grants collected on a reimbursement basis, which are recognized as revenue when reimbursable expenditures are made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Since the fund level statements are presented using a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented following the fund level statement that summarizes the adjustments necessary to convert the fund level statements into the government-wide presentations.

D. Cash and Cash Equivalents

Cash includes amounts in demand deposits, money market accounts and certificates of deposit with maturity of three months or less. These amounts must be deposited in a financial institution situated and doing business within this state.

E. Capital Assets

Capital assets, which include land, buildings and improvements and furniture and equipment, are reported in the government-wide financial statements. The district defines capital assets as assets with an initial, individual cost of more than \$25,000 (amount not rounded) and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects and constructed. Buildings and improvements and furniture and equipment of the district are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	40
Buses	10
Furniture & Equipment	10
Vehicles	5
Computer & Electronic Equipment	5

F. Compensated Absences

According to negotiated labor agreements, a teacher is allowed sick leave at the rate of 10 days for each year employed by the school district. A teacher is allowed to accumulate unused sick leave up to 92 days, and will be paid \$15 per day for unused sick leave accumulated beyond the maximum amount of 92 days. The district does not pay unused sick leave upon termination of employment.

A teacher is also allowed 5 personal days per year. Personal leave may not accumulate, but unused personal days may be compensated at \$135 per day at the end of each contract year.

Accumulated sick leave that is expected to be paid with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of accumulated sick leave that are not expected to be paid with expendable available financial resources are maintained separately and represents a reconciling item between the fund and government-wide presentations.

G. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize long-term debt as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for

payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

H. Deferred Outflows/Inflows of Resources

Deferred Outflows of resources on the Statement of Net Position represent consumption of resources applicable to future periods and so will not be recognized as an expense until then. The District's deferred outflows of resources reported on the statement of net position are related to defined benefit pension plans (TFFR). The amount represents actuarial differences within the pension plans as well as contributions to the plans made after the measurement date.

Deferred Inflows of resources on the Statement of Net Position represent acquisition of resources applicable to future periods and so will not be recognized as revenue until that time. The District's deferred inflow of resources on the Statement of Net Position are related to defined benefit pension plans (TFFR). The amount represents actuarial differences within the pension plans.

Deferred inflows of resources on the governmental funds balance sheet consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. The district recognizes uncollected taxes receivable, which are not expected to be collected within 60 days after year end, as deferred inflows of resources.

I. Net Position/Fund Balance

Government-wide financial statements

Equity is classified in the government-wide financial statements as net position and displayed in three components:

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statement

Equity is classified in the governmental funds financial statements as fund balance and displayed in five components:

Non-spendable fund balance – This category includes fund balance amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

Restricted fund balance – This category includes net fund resources that are subject to external constraints that have been placed on the use of resources either (a) imposed by creditors, grantors, contributors, or laws regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – This category includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision making authority, the board. The commitment can only be removed through the same action. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance – This category includes Governmental Fund balance that the district intends to be used for a specific purpose but are neither restricted nor committed. This intent is expressed by written approval of the district’s administration comprised of the Board.

Unassigned fund balance – This category included the residual balances in the governmental fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purpose within the General Fund.

J. Restricted Resources

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned resources are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

K. Interfund Transactions

Quasi-external transactions are accounted for as receipts or disbursements. Transactions that constitute reimbursements to a fund for receipts/disbursements initially made from it that are properly applicable to another fund, are recorded as disbursements in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. Use of Estimates in Preparing Financial Statements

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 LEGAL COMPLIANCE – BUDGETS

Budget Amendments

The following amendments were made to the budget during the year ended June 30, 2021:

Budget Amendments	Original Budget	Amendment	Amended Budget
Major Funds:			
General Fund Expenditures	\$ 3,827,858	\$ 102,847	\$ 3,930,705

NOTE 3 DEPOSITS AND INVESTMENTS

In accordance with North Dakota statutes, the district maintains deposits in financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or secured with a pledge of securities equal to 110% of the uninsured balance.

State statutes authorize the school district to invest in:

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

The school district's deposits at balance sheet date were entirely covered by federal depository insurance or pledge of governmental securities. Securities pledged were held by the district's agent in the district's name (Category II assets).

Custodial Credit Risk – This is the risk that deposits would be lost in the event of a bank failure. Deposits that exceed federal agency insurance limits are collateralized as stated above in accordance with state law. The district requires depository banks to furnish the district with periodic assurance of collateral coverage of district deposits.

Concentration of credit risk – The risk of loss due to the magnitude of investments in a single issuer. The district only invests in Certificates of Deposit wherein the issuer collateralizes the certificate with governmental securities.

Interest rate risk – The risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The district only invests in Certificates of Deposit which are always purchased and redeemable at face value.

At year ended June 30, 2021, the district's carrying amount of deposits totaled \$1,475,459 and the bank balances totaled \$1,543,680. Of the bank balances, \$786,764 was covered by Federal Depository Insurance. The remaining bank balances totaling \$756,916 were collateralized with securities held by the pledging financial institution's agent in the government's name.

NOTE 4 CAPITAL ASSETS

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

Governmental Activities	Balance July 1, 2020	Prior Period Adjustments	Additions	(Deletions)	Balance June 30, 2021
Non-depreciated assets					
Land	\$ 5,400	\$ -	\$ -	\$ -	\$ 5,400
Total non-depreciated assets	5,400	-	-	-	5,400
Depreciable assets					
Buildings	1,612,747	-	166,422	(36,526)	1,742,643
Buses & Vehicles	802,150	-	82,950	-	885,100
Equipment	279,771	-	-	(59,337)	220,434
Total depreciable assets	2,694,668	-	249,372	(95,863)	2,848,177
Less: accumulated depreciation					
Buildings	(505,371)	(26,874)	(48,694)	36,526	(544,413)
Buses & Vehicles	(445,819)	-	(80,783)	-	(526,602)
Equipment	(228,042)	-	(11,872)	56,811	(183,103)
Total accumulated depreciation	(1,179,232)	(26,874)	(141,349)	93,337	(1,254,118)
Net depreciable assets	1,515,436	(26,874)	108,023	(2,526)	1,594,059
Net governmental activities	\$ 1,520,836	\$ (26,874)	\$ 108,023	\$ (2,526)	\$ 1,599,459

Depreciation expense of \$80,783 has been charged to transportation and \$60,566 has been charged to operations and maintenance on the schedule of activities.

NOTE 5 DEFERRED INFLOWS/OUTFLOWS OF RESOURCES

Deferred inflows of resources on the fund financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available.

The district recognizes uncollected taxes receivable, which are not expected to be collected within 60 days after year end, as deferred inflows of resources.

Below is a summary of the District’s property tax receivables and deferred inflows of resources:

	Receivable	Deferred
General Fund	\$ 67,529	\$ 67,529
Special Reserve Fund	3,024	3,024
Building Fund	10,079	10,079
Total	<u>\$ 80,632</u>	<u>\$ 80,632</u>

NOTE 6 LONG TERM DEBT

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

	Balance			Balance
	June 30, 2020	Increase	Decrease	June 30, 2021
Compensated Absences	\$ 24,433	\$ 2,692	\$ -	\$ 27,125
Net Pension Liability TFFR	3,084,739	145,124	-	3,229,863
Total Long Term Liabilities	<u>\$ 3,109,172</u>	<u>\$ 147,816</u>	<u>\$ -</u>	<u>\$ 3,256,988</u>

NOTE 7 PROPERTY TAXES

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

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the discount on the property taxes. Budgets are adopted on the modified accrual basis. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at year-end.

NOTE 8 PENSION PLAN

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

North Dakota Teachers' Fund for Retirement

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

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

Responsibility for administration of the TFFR benefits program is assigned to a seven-member Board of Trustees (Board). The Board consists of the State Treasurer, the Superintendent of Public Instruction, and five members appointed by the Governor. The appointed members serve five-year terms which end on

June 30 of alternate years. The appointed Board members must include two active teachers, one active school administrator, and two retired members. The TFFR Board submits any necessary or desirable changes in statutes relating to the administration of the fund, including benefit terms, to the Legislative Assembly for consideration. The Legislative Assembly has final authority for changes to benefit terms and contribution rates.

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

maximum benefits specified in Section 415 of the Internal Revenue Code.

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

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

At June 30, 2021, the Employer reported a liability of \$3,229,863 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 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 June 30, 2020, the Employer's proportion was 0.211033 percent, which was a decrease of 0.012945 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Employer recognized pension expense of \$278,157. At June 30, 2021, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 666	\$ 121,210
Net difference between projected and actual earnings on pension plan investments	199,384	-
Changes of assumptions	145,372	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	90,791	449,417
*Employer contributions subsequent to the measurement date of June 30, 2020	199,598	-
Total	<u>\$ 635,811</u>	<u>\$ 570,627</u>

*\$199,598 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

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

Year ended June 30:	
2022	\$ (2,372)
2023	(96)
2024	(30,389)
2025	(34,927)
2026	(50,909)
Thereafter	(15,720)
Total	<u>\$ (134,413)</u>

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 RP-2014 Employee Mortality Table, projected generationally using Scale MP-2014. For healthy retirees, mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table set back one year, multiplied by 50% for ages under 75 and grading up to 100% by age 80, projected generationally using Scale MP-2014. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table set forward four years.

The actuarial assumptions used were based on the results of an actuarial experience study dated April 30, 2015. They are the same as the assumptions used in the July 1, 2020, funding actuarial valuation for TFFR.

As a result of the April 30, 2015 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%.
- Total salary scale rates lowered by 0.45%.
- 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.

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

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

Discount Rate

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Employer's proportionate share of the net pension liability	4,302,004	3,229,863	2,338,859

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report. TFFR's Comprehensive Annual Financial Report (CAFR) is located at www.nd.gov/rio/sib/publications/cafr/default.htm.

Payables to the Pension Plan

As of June 30, 2021, the district had no accrued payable to the pension plan.

NOTE 9 RISK MANAGEMENT

The Valley-Edinburg Public School District No. 118 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

The Valley-Edinburg Public School District No. 118 also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The district pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of one million dollars per occurrence during a twelve-month period.

The State Bonding Fund currently provides the school district with blanket fidelity bond coverage in the amount of \$350,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage. The school district also participates in the North Dakota Worker's Compensation Bureau. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 10 GRANTS

The district receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the district's independent auditors and other governmental auditors. Any disallowed claims resulting from such an audit could become a liability of the General Fund or other applicable fund. Based on prior experience, the district administration believes such disallowance, if any, would be immaterial.

NOTE 11 INTERFUND TRANSFERS

The district made cash transfers during the year for cash management requirements. The operating transfers were as follows:

<u>Fund</u>	<u>Transfers</u>	
	<u>Transfers In</u>	<u>Out</u>
General Fund	\$ 97,545	\$ (60,000)
Special Reserve Fund	-	(97,545)
Food Service Fund	60,000	-
	<u>\$ 157,545</u>	<u>\$ (157,545)</u>

NOTE 12 NON-MONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its hot lunch program and its market value is recognized as revenue from federal sources. The market value of commodities received for the year ended June 30, 2021 was \$8,046.

NOTE 13 RESTATEMENT

The District made a prior period adjustment to entity wide accumulated depreciation. The adjustment resulted in the following restatement to the net position.

Fund Balance at June 30, 2020, as previously reported	\$ (101,514)
Prior Period Adjustment to accumulated depreciation at July 1, 2020	<u>(26,874)</u>
Fund Balance July 1, 2020, as restated	<u>\$ (128,388)</u>

NOTE 14 SUBSEQUENT EVENTS

As of December 13, 2021, the date the financial statements were available to be issued, the district was no aware of any subsequent events that need to be disclosed in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

VALLEY-EDINBURG PUBLIC SCHOOL DISTRICT NO. 118
 Edinburg, North Dakota
Budget Comparison Schedule - General Fund
 For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Local Sources	\$ 965,285	\$ 965,286	\$ 990,813	\$ 25,527
State Sources	2,532,609	2,494,730	2,456,651	(38,079)
Federal Sources	222,500	296,666	293,922	(2,744)
Other Sources	4,000	4,000	4,000	-
Total Revenues	\$ 3,724,394	3,760,682	3,745,386	(15,296)
Expenditures:				
Regular Instruction Programs	1,284,500	1,284,500	1,253,134	31,366
Special Education	409,720	409,720	393,132	16,588
Vocational Education	90,000	90,000	90,783	(783)
Federal Programs	215,916	290,082	336,581	(46,499)
Student Support Services				
Counseling Services	106,650	106,650	104,705	1,945
Instructional Staff	128,600	128,600	103,333	25,267
General Administration	399,898	399,898	391,241	8,656
School Administration	267,400	267,400	259,164	8,236
Business Office	111,700	111,700	111,337	363
Operations and Maintenance	270,400	299,081	311,046	(11,965)
Transportation	306,264	306,264	272,756	33,508
Other Programs	176,810	176,810	164,497	12,313
Total Expenditures	3,767,858	3,870,705	3,791,710	78,995
Excess Revenues over (under) Expenditures	(43,464)	(110,023)	(46,323)	63,699
Transfers In	30,000	97,545	97,545	
Transfers (Out)	(60,000)	(60,000)	(60,000)	
Net Change in Fund Balances	(30,000)	(72,478)	(8,779)	
Fund Balance - July 1	1,095,676	1,095,676	1,095,676	
Fund Balance - June 30	\$ 1,022,213	\$ 1,023,199	\$ 1,086,898	

The notes to the required supplementary information are an integral part of this statement.

VALLEY-EDINBURG PUBLIC SCHOOL DISTRICT NO. 118
 Edinburg, North Dakota
Budget Comparison Schedule – Food Service Fund
 For the Year Ended June 30, 2021

	Original & Final Budget	Actual	Variance
Revenues:			
Local Sources	50,000	\$ 7,723	\$ (42,277)
Federal Sources	50,000	129,192	79,192
Total Revenues	100,000	136,915	36,915
Expenditures:			
Food Services	165,700	171,226	(5,526)
Total Expenditures	165,700	171,226	(5,526)
Excess Revenues over (under) Expenditures	(65,700)	(34,311)	31,389
Transfers In	60,000	60,000	
Net Change in Fund Balances	(5,700)	25,689	
Fund Balance - July 1	27,982	27,982	
Fund Balance - June 30	\$ 22,282	\$ 53,671	

The notes to the required supplementary information are an integral part of this statement.

VALLEY-EDINBURG PUBLIC SCHOOL DISTRICT NO. 118
 Edinburg, North Dakota
Schedule of District's Share of Net Pension Liability
ND Teachers' Fund for Retirement
 Last 10 Fiscal Years*

Year Ended June 30	Employer's Proportion Of the Net Pension Liability (Asset)	Employer's Proportionate Share Of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a % of its covered-employee Payroll	Plan Fiduciary Net Position As a % of the Total Pension Liability
2015	0.241673%	2,532,305	1,401,830	180.6%	66.60%
2016	0.235013%	3,073,630	1,445,576	212.6%	62.10%
2017	0.262239%	3,841,953	1,703,831	225.5%	59.20%
2018	0.252384%	3,466,561	1,703,521	203.5%	63.20%
2019	0.239152%	3,187,563	1,625,781	196.1%	65.50%
2020	0.223978%	3,084,739	1,571,267	196.3%	65.50%
2021	0.211033%	3,229,863	1,539,823	209.8%	63.40%

*Complete data for this schedule is not available prior to 2015.

Amounts presented for each fiscal year have a measurement date of the previous fiscal year end.

The notes to the required supplementary information are an integral part of this statement.

VALLEY-EDINBURG PUBLIC SCHOOL DISTRICT NO. 118
 Edinburg, North Dakota
Schedule of District's Contributions
ND Teachers' Fund for Retirement
 Last 10 Fiscal Years*

Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	150,696	150,696	0	1,401,830	10.75%
2016	184,302	184,302	0	1,445,576	12.75%
2017	217,239	217,239	0	1,703,831	12.75%
2018	217,199	217,199	0	1,703,521	12.75%
2019	207,287	207,287	0	1,625,781	12.75%
2020	200,337	200,337	0	1,571,267	12.75%
2021	196,329	196,329	0	1,539,823	12.75%

*Complete data for this schedule is not available prior to 2015

Amounts presented for each fiscal year have a measurement date of the previous fiscal year end.

The notes to the required supplementary information are an integral part of this statement.

VALLEY-EDINBURG PUBLIC SCHOOL DISTRICT NO. 118

Edinburg, North Dakota

Notes to the Required Supplementary Information

For the Year Ended June 30, 2021

NOTE 1 BUDGETS

Budgets are prepared on the cash basis of accounting which does not differ significantly from the modified cash method used for financial reporting.

The District's board follows the procedures established by North Dakota law for the budgetary process. The business manager prepares an annual school district budget and property tax levy. The budget is prepared by funds, function and activity, and includes information on the past year, current year and requested appropriations for the next year.

The county treasurer collects all property taxes levied in the county, acting as agent for the various taxing authorities in the county. Collected taxes are remitted to the taxing authorities monthly unless the amount is insignificant.

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

- Administration prepares the District's budget using a modified accrual basis of accounting. The board reviews the budget and makes any necessary revisions. On or before July 31, the board adopts the final budget. The final budget and property tax levy request is sent to the county auditor by August 15.
- The budget may be amended during the year for any receipts and appropriations not anticipated at the time the budget was prepared except no amendment changing the taxes levied can be made after October 10.
- At year-end, the balance of each appropriation becomes a part of the unappropriated fund balance.

The District's expenses did not exceed budgeted amounts for any fund during the year ended June 30, 2021.

NOTE 2 ND TEACHERS' FUND FOR RETIREMENT

Changes of benefit terms.

There were no changes to benefits for the year ended June 30, 2021, the most recent measurement date.

Changes of Assumptions

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

- Investment return assumption lowered from 7.75% to 7.25%;
- Inflation assumption lowered from 2.75% to 2.30%;
- Individual salary increases were lowered;
- Rates of turnover, retirement and disability were changed to better reflect anticipated future experience;
- The post-retirement healthy mortality table was updated to 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both

- projected with generational improvement using Scale MP-2019;
- The disabled mortality was updated to the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019; 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.

SUPPLEMENTARY INFORMATION

VALLEY-EDINBURG PUBLIC SCHOOL DISTRICT NO. 118
Edinburg, North Dakota
Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund
For the Year Ended June 30, 2021

	General Fund
Revenues:	
LOCAL SOURCES	
General Fund Property Taxes	\$ 974,566
Drivers Education Program	1,200
Miscellaneous Local Revenues	6,912
Interest on Investments	8,136
Total Local Sources	990,813
STATE SOURCES	
Per Pupil Aid	2,224,261
Transportation Aid	110,427
State Child Placement	5,719
Special Ed Joint Agreement	-
Vocational Education Joint Agreement	75,244
Other Restricted State Revenue	41,000
Total State Sources	2,456,651
FEDERAL SOURCES	
Title I Grants to LEA's	72,448
Title IIA Teacher Principal Quality Training	12,799
Title IV - Student Support and Academic Enrichment	10,000
Small, Rural School Achievement Program	6,584
Coronavirus Relief Fund	143,017
CARES Act ESSER Funds	49,075
Total Federal Sources	293,922
OTHER SOURCES	
ITV Reimbursement	4,000
Total Other Sources	4,000
TOTAL REVENUES	\$ 3,745,386

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

VALLEY-EDINBURG PUBLIC SCHOOL DISTRICT NO. 118

Edinburg, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund

For the Year Ended June 30, 2021

	General Fund
EXPENDITURES:	
REGULAR INSTRUCTION	
Kindergarten Instruction	\$ 62,316
Elementary Instruction	300,944
Jr. High Instruction	405,419
Sr. High Instruction	484,456
Total Regular Instruction	<u>1,253,134</u>
 SPECIAL EDUCATION PROGRAMS	
Visually Handicap	1,175
Speech Impaired	130,572
Other Health Impaired	28,746
Emotionally Disturbed	19,210
Learning Disabled	143,635
Special Education Tuition	69,795
Total Special Education Programs	<u>393,132</u>
 VOCATIONAL EDUCATION	90,783
 FEDERAL PROGRAMS	
Title I Grants to LEA's	76,448
Title IIA Teacher Principal Quality Training	12,799
Title IV - Student Support and Academic Enrichment	6,000
CARES Act ESSER Funds	49,075
Covid Relief Fund - Education Corps Funding	68,229
Covid Relief Fund - Broadband Grant	622
Covid Relief Fund - Resiliency Grant	74,166
Esser II	37,916
Esser III	10,327
Esser III Learning Loss	1,000
Total Federal Programs	<u>336,581</u>
 STUDENT SUPPORT SERVICES	
Counseling Services	104,705
Instructional Staff	
Improvement of Instructional Staff	74,594
Other Instruction Support Service	28,739
General Administration	
Board of Education	143,426
Superintendent	247,815
School Administration	
Principal	259,164
Business Office	111,337
Operations and Maintenance	311,046
Transportation	189,806
Total Student Support Services	<u>1,470,632</u>

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

VALLEY-EDINBURG PUBLIC SCHOOL DISTRICT NO. 118
 Edinburg, North Dakota
Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund
 For the Year Ended June 30, 2021

	General Fund
OTHER PROGRAMS	
Student Activities Instruction	117,670
Pre-Kindergarten	35,577
Drivers Education	11,250
Total Other Programs	164,497
 CAPITAL OUTLAY	 82,950
 TOTAL EXPENSES	 3,791,710
 Excess Revenues over (under) Expenditures before Interfund Transfers	 \$ (46,323)
 Interfund Transfers In	97,545
Interfund Transfers Out	(60,000)
 Excess Revenues over (under) Expenditures after Interfund Transfers	 (8,779)
 Fund Balance July 1	 1,095,676
 Fund Balance June 30	 \$ 1,086,898

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



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 Valley-Edinburg Public School District No. 118
Edinburg, 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 and each major fund of the Valley-Edinburg Public School District No. 118, North Dakota as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Valley-Edinburg Public School District No. 118, North Dakota’s basic financial statements and have issued our report thereon dated Error! No document variable supplied..

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Valley-Edinburg Public School District No. 118, North Dakota’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 Valley-Edinburg Public School District No. 118, North Dakota’s internal control. Accordingly, we do not express an opinion on the effectiveness of Valley-Edinburg Public School District No. 118, North Dakota’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness or significant deficiency.

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. We consider finding 2021-1, described in the accompanying schedule of findings and responses, to be a material weakness.

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PARK RIVER

1203 Park Street East
P.O. BOX 287
Park River, ND 58270
(701) 284-7616

LANGDON

817 3rd Street
FM Mall
Langdon, ND 58249
(701) 256-2427

STEPHEN

413 5th Street
P.O. BOX 45
Stephen, MN 56757
(218) 478-2880

CAVALIER

206 Dakota Street West
P.O. BOX 33
Cavalier, ND 58220
(701) 265-8644

GRAFTON

735 Hill Avenue, Ste 201
Grafton, ND 58237
(701) 352-2285

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. We consider finding 2021-2, described in the accompanying schedule of findings and responses, to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Valley-Edinburg Public School District No. 118, North Dakota's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Valley-Edinburg Public School District No. 118, North Dakota's Response to Findings

Valley-Edinburg Public School District No. 118, North Dakota's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Valley-Edinburg Public School District No. 118, North Dakota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Hurtt, Mortenson & Rygh
Certified Public Accountants
Park River, North Dakota

December 13, 2021

VALLEY-EDINBURG SCHOOL DISTRICT NO. 118
Edinburg, North Dakota
Schedule of Findings and Responses
June 30, 2021

FINDINGS RELATED TO INTERNAL CONTROL OVER FINANCIAL REPORTING:

2021-1 Segregation of Duties

Condition:

Valley-Edinburg Public School District has one business manager responsible for most accounting functions.

Effect:

Without adequate fraud risk programs and controls the Valley-Edinburg Public School District No. 118 exposes itself to risk of loss of assets, potential liabilities, and damage to reputation, whether due to error or fraud.

Cause:

There is no segregation of duties as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and prepare financial statements. This increases the risk of misstatement of the Valley-Edinburg Public School District No. 118 financial condition.

Criteria:

The guidance relating to internal control is contained in Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This framework includes discussions about the importance of adequate risk assessment, code of conduct, and background investigations. Proper internal accounting control dictates that sufficient accounting personnel should exist so that incompatible duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the Valley-Edinburg Public School District No. 118.

Recommendation:

If at any time, it becomes economically feasible and appropriate to add sufficient staff to segregate duties, we recommend that the Valley-Edinburg Public School District No. 118 do so. We further recommend that the school district implement any controls possible to separate the functions of approval, posting of transactions, reconciliation, and custody of assets.

Client Response:

The school board president agrees with the recommendation. The school board president does approve and sign all checks from all bank accounts before release. The financial statements are also reviewed by the school board.

2021-2 Financial Statement Preparation

Condition:

Mortenson & Rygh assist the school district's management in preparing financial statements and disclosures that are presented in accordance with the modified cash basis of accounting.

Effect:

Without the assistance of the auditors, the financial statements could be misstated or omit material financial statement disclosures.

Cause:

The school district's internal control system is not designed to provide for the preparation of the financial statements and accompanying notes to the financial statements.

Criteria:

As a matter of internal control, management should be responsible and capable of preparing financial statements in conformity with generally accepted account principles.

Recommendation:

We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. We further recommend that a responsible official review a current appropriate disclosure checklist or other guidance to ensure the financial statements contain all necessary disclosures.

Client Response:

The school board is aware of this condition, and will consider the risks and costs associated with the financial statement preparation. The school district will continue to request that Mortenson & Rygh assist with preparation of financial statements.