

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

AUDITED FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

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June 30, 2021 and 2020

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ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

OFFICIAL DIRECTORY
June 30, 2021

Paul Billing	President
Lauren Lemnus	Vice-President
David Bjorklund	Board Member
Katie Geske	Board Member
Brian Midthun	Board Member
Phillip French	Superintendent
Tammy Boeder	Business Manager



INDEPENDENT AUDITOR'S REPORT

School Board
Enderlin Area Public School District
Enderlin, North Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Enderlin Area Public School District, as of and for the years ended June 30, 2021 and 2020, and the related notes to financial statements, which collectively comprise Enderlin Area Public School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Enderlin Area Public School District, as of June 30, 2021 and 2020 and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

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

Emphasis of a Matter

As discussed in Note 12 to the financial statements, the District adopted the provisions of GASB Statement No. 84, Fiduciary Activities, which has resulted in an adjustment to the net position and fund balance of the General Fund as of July 1, 2019. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Enderlin Area Public School District's basic financial statements. The budgetary comparison schedule, nonmajor governmental funds – combining balance sheet, and nonmajor governmental funds – schedule of revenues, expenditures, and changes in fund balance are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The official directory 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2023 on our consideration of Enderlin Area Public School 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 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 Enderlin Area Public School District's internal control over financial reporting and compliance.



Nadine Julson, LLC
Wahpeton, North Dakota
September 30, 2023

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

STATEMENTS OF NET POSITION – MODIFIED CASH BASIS
June 30, 2021 and 2020

	2021	2020
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 817,626	\$ 712,511
Savings and CD's	805,845	802,923
Total Current Assets	1,623,471	1,515,434
Capital Assets		
Non-depreciable		
Land	82,688	82,688
Construction in Progress	1,437,998	130,738
Depreciable, net of accumulated depreciation		
Buildings and Improvements	4,472,264	4,678,517
Vehicles	176,688	138,815
Equipment	133,293	149,932
Total Capital Assets	6,302,931	5,180,690
Total Assets	7,926,402	6,696,124
LIABILITIES		
Current Liabilities		
Payroll Liabilities	10,789	10,234
Current Portion of Long-term Debt		
General Obligation Bonds Payable	248,697	-
Capital Leases Payable	-	180,066
Total Current Liabilities	259,486	190,300
Due After One Year		
General Obligation Bonds Payable	3,330,152	130,738
Capital Leases Payable	-	2,073,550
Total Long-term Liabilities	3,330,152	2,204,288
Total Liabilities	3,589,638	2,394,588
NET POSITION		
Net Investment in Capital Assets	2,724,082	2,796,336
Restricted	539,759	344,612
Unrestricted	1,072,923	1,160,588
Total Net Position	\$ 4,336,764	\$ 4,301,536

See Notes to Financial Statements

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Regular Instruction	\$ 2,487,294	\$ 18,828	\$ 397,839	\$ (2,070,627)
Special Instruction	508,183	-	-	(508,183)
Vocational Instruction	133,475	-	23,969	(109,506)
Pupil Services	175,442	-	-	(175,442)
General Administration Services	147,948	-	-	(147,948)
School Administration Services	147,087	-	-	(147,087)
Other Support Services	183,729	-	-	(183,729)
Operation and Maintenance	565,466	-	-	(565,466)
Pupil Transportation	230,476	-	110,060	(120,416)
Student Activities	415,193	181,135	7,415	(226,643)
School Food Services	217,414	24,336	217,773	24,695
Interest and Other Charges	129,992	-	-	(129,992)
	<u>\$ 5,341,699</u>	<u>\$ 224,299</u>	<u>\$ 757,056</u>	<u>(4,360,344)</u>
General Revenues				
Taxes				
Taxes Levied for General Purposes				1,273,729
Taxes Levied for Debt Purposes				91,936
Taxes Levied for Building Purposes				163,593
State Aid, not restricted for specific purpose				2,697,242
Interest and Investment Earnings				8,171
Gain on Sale of Assets				14,476
Miscellaneous				<u>146,425</u>
Total General Revenues				<u>4,395,572</u>
Change in Net Position				35,228
Net Position, Beginning of Year				<u>4,301,536</u>
Net Position, End of Year				<u>\$ 4,336,764</u>

See Notes to Financial Statements

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Regular Instruction	\$ 2,196,440	\$ 22,511	\$ 168,555	\$ (2,005,374)
Special Instruction	407,593	-	-	(407,593)
Vocational Instruction	111,995	-	20,981	(91,014)
Pupil Services	219,132	-	-	(219,132)
General Administration Services	145,833	-	-	(145,833)
School Administration Services	135,705	-	-	(135,705)
Other Support Services	167,186	-	-	(167,186)
Operation and Maintenance	533,952	-	-	(533,952)
Pupil Transportation	219,364	-	131,501	(87,863)
Student Activities	429,711	175,258	22,121	(232,332)
School Food Services	204,450	69,233	120,070	(15,147)
Interest and Other Charges	61,944	-	-	(61,944)
	<u>\$ 4,833,305</u>	<u>\$ 267,002</u>	<u>\$ 463,228</u>	<u>(4,103,075)</u>
General Revenues				
Taxes				
Taxes Levied for General Purposes				1,291,568
Taxes Levied for Building Purposes				167,337
State Aid, not restricted for specific purpose				2,674,278
Interest and Investment Earnings				18,152
Miscellaneous				14,818
Total General Revenues				<u>4,166,153</u>
Change in Net Position				63,078
Net Position, Beginning of Year				<u>4,238,458</u>
Net Position, End of Year				<u>\$ 4,301,536</u>

See Notes to Financial Statements

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
June 30, 2021

	Major Fund		Other	Total
	General Fund	Capital Projects	Governmental Funds	Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 610,696	\$ 180,948	\$ 25,982	\$ 817,626
Savings and CD's	798,294	-	7,551	805,845
Total Assets	1,408,990	180,948	33,533	1,623,471
LIABILITIES				
Payroll Liabilities	10,789	-	-	10,789
Total Liabilities	10,789	-	-	10,789
FUND BALANCE				
Restricted	351,260	180,948	7,551	539,759
Assigned	-	-	25,982	25,982
Unassigned	1,046,941	-	-	1,046,941
Fund Balance	1,398,201	180,948	33,533	1,612,682
Total Liabilities and Fund Balance	\$ 1,408,990	\$ 180,948	\$ 33,533	\$ 1,623,471

See Notes to Financial Statements

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
June 30, 2020

	Major Fund		Other	Total
	General Fund	Capital Projects	Governmental Funds	Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 699,701	\$ 1,695	\$ 11,115	\$ 712,511
Savings and CD's	795,520	-	7,403	802,923
Total Assets	1,495,221	1,695	18,518	1,515,434
LIABILITIES				
Payroll Liabilities	10,234	-	-	10,234
Total Liabilities	10,234	-	-	10,234
FUND BALANCE				
Restricted	324,399	1,695	18,518	344,612
Unassigned	1,160,588	-	-	1,160,588
Fund Balance	1,484,987	1,695	18,518	1,505,200
Total Liabilities and Fund Balance	\$ 1,495,221	\$ 1,695	\$ 18,518	\$ 1,515,434

See Notes to Financial Statements

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS
TO THE STATEMENTS OF NET POSITION – MODIFIED CASH BASIS
June 30, 2021 and 2020

Total Fund Balance - Governmental Funds June 30, 2021		\$	1,612,682
Total net position reported for government activities in the statement of net position is different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.			
Cost of Capital Assets	9,811,964		
Less Accumulated Depreciation	(3,509,033)		
Net Capital Assets			6,302,931
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.			
General Obligation Bonds Payable			(3,578,849)
Total Net Position of Governmental Activities June 30, 2021		\$	4,336,764
Total Fund Balance - Governmental Funds June 30, 2020			
		\$	1,505,200
Total net position reported for government activities in the statement of net position is different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.			
Cost of Capital Assets	8,437,433		
Less Accumulated Depreciation	(3,256,743)		
Net Capital Assets			5,180,690
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.			
General Obligation Bonds Payable	(130,738)		
Capital Leases Payable	(2,253,616)		
Total Long-term Liabilities			(2,384,354)
Total Net Position of Governmental Activities June 30, 2020		\$	4,301,536

See Notes to Financial Statements

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**
Year Ended June 30, 2021

	Major Fund		Other	Total
	General Fund	Capital Projects	Governmental Funds	Governmental Funds
REVENUES				
Local Sources	\$ 1,491,107	\$ 294,288	\$ 115,766	\$ 1,901,161
State Sources	2,831,271	-	469	2,831,740
Federal Sources	387,839	-	217,304	605,143
Interest Income	7,849	154	168	8,171
Miscellaneous Income	15,730	-	506	16,236
Total Revenues	4,733,796	294,442	334,213	5,362,451
EXPENDITURES				
Current				
Regular Instruction	2,467,195	-	-	2,467,195
Special Instruction	508,183	-	-	508,183
Vocational Instruction	133,475	-	-	133,475
Pupil Services	175,442	-	-	175,442
General Administration Services	147,948	-	-	147,948
School Administration Services	147,087	-	-	147,087
Other Support Services	183,729	-	-	183,729
Operation and Maintenance	345,864	-	-	345,864
Pupil Transportation	271,949	-	-	271,949
Student Activities	415,193	-	-	415,193
School Food Services	-	-	216,147	216,147
Debt Service				
Principal	-	2,253,616	74,556	2,328,172
Interest and Other Charges	-	76,980	53,012	129,992
Facilities Acquisition and Construction	-	1,307,260	-	1,307,260
Total Expenditures	4,796,065	3,637,856	343,715	8,777,636
Excess (Deficiency) of Revenues over Expenditures	(62,269)	(3,343,414)	(9,502)	(3,415,185)
OTHER FINANCING SOURCES (USES)				
Proceeds from Long-term Debt	-	3,522,667	-	3,522,667
Operating Transfer In	-	-	24,517	24,517
Operating Transfer Out	(24,517)	-	-	(24,517)
Total Other Financing Sources (Uses)	(24,517)	3,522,667	24,517	3,522,667
NET CHANGE IN FUND BALANCE	(86,786)	179,253	15,015	107,482
FUND BALANCE, BEGINNING OF YEAR	1,484,987	1,695	18,518	1,505,200
FUND BALANCE, END OF YEAR	\$ 1,398,201	\$ 180,948	\$ 33,533	\$ 1,612,682

See Notes to Financial Statements

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**
Year Ended June 30, 2020

	Major Fund		Other	Total
	General Fund	Capital Projects	Governmental Funds	Governmental Funds
REVENUES				
Local Sources	\$ 1,521,458	\$ 167,337	\$ 68,666	\$ 1,757,461
State Sources	2,826,760	-	513	2,827,273
Federal Sources	158,555	-	119,557	278,112
Interest Income	17,970	149	33	18,152
Miscellaneous Income	14,818	-	567	15,385
Total Revenues	4,539,561	167,486	189,336	4,896,383
EXPENDITURES				
Current				
Regular Instruction	2,169,287	-	-	2,169,287
Special Instruction	407,593	-	-	407,593
Vocational Instruction	111,995	-	-	111,995
Pupil Services	219,132	-	-	219,132
General Administration Services	145,833	-	-	145,833
School Administration Services	135,705	-	-	135,705
Other Support Services	167,186	-	-	167,186
Operation and Maintenance	318,158	-	-	318,158
Pupil Transportation	185,957	-	-	185,957
Student Activities	429,711	-	-	429,711
School Food Services	-	-	203,183	203,183
Debt Service				
Principal	-	175,589	-	175,589
Interest and Other Charges	-	61,944	-	61,944
Facilities Acquisition and Construction	-	130,738	-	130,738
Total Expenditures	4,290,557	368,271	203,183	4,862,011
Excess (Deficiency) of Revenues over Expenditures	249,004	(200,785)	(13,847)	34,372
OTHER FINANCING SOURCES (USES)				
Proceeds from Long-term Debt	-	130,738	-	130,738
Operating Transfer In	-	71,662	13,874	85,536
Operating Transfer Out	(85,536)	-	-	(85,536)
Total Other Financing Sources (Uses)	(85,536)	202,400	13,874	130,738
NET CHANGE IN FUND BALANCE	163,468	1,615	27	165,110
FUND BALANCE, BEGINNING OF YEAR	1,321,519	80	18,491	1,340,090
FUND BALANCE, END OF YEAR	\$ 1,484,987	\$ 1,695	\$ 18,518	\$ 1,505,200

See Notes to Financial Statements

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENTS OF ACTIVITIES – MODIFIED CASH BASIS**
Years Ended June 30, 2021 and 2020

Net Change in Fund Balances - Total Government Funds June 30, 2021	\$ 107,482
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets with a cost greater than \$5,000 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 year.	1,122,241
Governmental funds report debt proceeds as current financial resources. The statement of activities treats such issuance of bonds payable as a liability.	(3,522,667)
Repayment of debt principal and other long-term liabilities is an expenditure in the governmental fund financial statements, but repayment reduces long-term liabilities in the statement of net position.	2,328,172
Change in Net Position of Governmental Activities June 30, 2021	<u>\$ 35,228</u>
Net Change in Fund Balances - Total Government Funds June 30, 2020	\$ 165,110
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets with a cost greater than \$5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year.	(146,883)
Governmental funds report debt proceeds as current financial resources. The statement of activities treats such issuance of bonds payable as a liability.	(130,738)
Repayment of debt principal and other long-term liabilities is an expenditure in the governmental fund financial statements, but repayment reduces long-term liabilities in the statement of net position.	175,589
Change in Net Position of Governmental Activities June 30, 2020	<u>\$ 63,078</u>

See Notes to Financial Statements

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Enderlin Area Public School District, Enderlin, North Dakota (the District) are presented on a modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

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

Based on these criteria, there are no component units to be included within the Enderlin Area Public School District as a reporting entity.

B. Basis of Presentation, Basis of Accounting

Government-wide statements - The statement of net position and the statement of activities display information about the primary government (Enderlin Area Public School District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, fees and other non-exchange transactions. The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund financial statements - The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the district-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental fund:

1. *General Fund* – The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. *Capital Projects Fund* – Used to account for financial resources related to capital outlays made by the District.

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

Additionally, the District reports the following governmental fund types that are included in non-major funds:

1. Governmental Funds

- a. *Special Reserve Fund* – Used to account for resources restricted to, or designated for, specific purposes by the District.
- b. *Debt Service Fund* – Used to account for the accumulation of resources for, and payment of, long-term debt principal, interest, and related costs.
- c. *Food Service Fund* – Used to account for food service revenues and expenditures.

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

Governmental funds are reported using the modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund balance, revenues, expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

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

D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts. Cash equivalents on the statement of cash flows consist of certificates of deposit with a maturity of three months or less. Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the uninsured balance.

E. Capital Assets

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

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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

Assets	Years
Buildings/Improvements	20 - 50
Equipment	10
Busses/Vehicles	10

F. Vacation Pay and Sick Pay

The expenditures for vacation and sick pay are recognized when payment is made. Teachers receive up to 3 personal days annually, accumulative to 6 days. Teachers with any unused earned personal leave will be paid at the same rate as the daily compensation for a short-term substitute teacher for each day of unused personal leave. Teachers are also allowed 20 days of sick leave per year that upon termination of employment, a lump sum payment of \$5 per day for unused accumulated sick leave. If a teacher has a minimum of 20 years of service in the District, they will receive \$20 per day.

Full-time twelve-month employees after being employed for 1 year as of July 1 shall receive 10 days of non-accumulative vacation days. Any twelve-month employee granted vacation time and who shall resign or be relieved of their position shall be entitled to pro-rated monetary reimbursement for unused vacation days.

G. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the government activities statement of net position. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material. In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

H. Fund Balance Classifications

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

1. Nonspendable
 - a. Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. They include items such as, but not limited to, inventories, prepaid items, or the permanent principal of endowment funds.
2. Restricted
 - a. Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
3. Committed
 - a. A committed fund balance 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 School Board. Formal action is required to be taken to establish, modify, or rescind a fund balance commitment.
4. Assigned
 - a. Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes but are under the direction of the board and the business manager.

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

5. Unassigned

- a. Unassigned fund balance is the lowest classification for the General Fund. This is a fund balance that has not been reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

It is the policy of the District to spend restricted resources first, followed by unrestricted resources. It is also the policy of the District to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

I. Net Position

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

J. Interfund Transactions

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

All other interfund transactions, except reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. In the government-wide financial statements, interfund transactions have been eliminated.

NOTE 2 – LEGAL COMPLIANCE – BUDGETS

Expenditures over Appropriations – General fund expenditures did not exceed budgeted amounts for the years ended June 30, 2021 and 2020.

NOTE 3 – DEPOSITS AND INVESTMENTS

In accordance with North Dakota Statutes, the District maintains deposits at the depository banks designed by the governing board. All depositories are members of the Federal Reserve System.

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

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the State of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board. For the years ended June 30, 2021 and 2020, the District's carrying amounts of deposits were \$1,623,471 and \$1,515,434. The bank balances were \$1,468,701 and \$1,503,480. Of the bank balances, \$500,000 was covered by Federal Depository Insurance and the remaining balances were collateralized with securities held by pledging financial institutions agents in the District's name.

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

Credit Risk:

The District may invest idle funds as authorized in North Dakota Statutes, as follows:

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

As of June 30, 2021 and 2020, the District held certificates of deposits totaling \$805,845 and \$802,923.

Interest Rate Risk:

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

Concentration of Credit Risk:

The District does not have a limit on the amount it may invest in any one issuer.

NOTE 4 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended June 30, 2021 and 2020:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$ 82,688	\$ -	\$ -	\$ 82,688
Construction in Progress	130,738	1,307,260	-	1,437,998
Total Capital Assets, not being depreciated	213,426	1,307,260	-	1,520,686
Capital Assets, being depreciated				
Buildings and Improvements	7,138,399	-	-	7,138,399
Vehicles	662,872	79,200	-	742,072
Equipment	422,736	38,080	(50,009)	410,807
Total Capital Assets, being depreciated	8,224,007	117,280	(50,009)	8,291,278
Less Accumulated Depreciation for				
Buildings and Improvements	2,459,882	206,253	-	2,666,135
Vehicles	524,057	41,327	-	565,384
Equipment	272,804	34,715	(30,005)	277,514
Total Accumulated Depreciation	3,256,743	282,295	(30,005)	3,509,033
Total Capital Assets Being Depreciated, net	4,967,264	(165,015)	(20,004)	4,782,245
Governmental Activities Capital Assets, net	\$ 5,180,690	\$ 1,142,245	\$ (20,004)	\$ 6,302,931

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$ 82,688	\$ -	\$ -	\$ 82,688
Construction in Progress	-	130,738	-	130,738
Total Capital Assets, not being depreciated	82,688	130,738	-	213,426
Capital Assets, being depreciated				
Buildings and Improvements	7,138,399	-	-	7,138,399
Vehicles	662,872	-	-	662,872
Equipment	422,736	-	-	422,736
Total Capital Assets, being depreciated	8,224,007	-	-	8,224,007
Less Accumulated Depreciation for				
Buildings and Improvements	2,253,629	206,253	-	2,459,882
Vehicles	490,650	33,407	-	524,057
Equipment	234,843	37,961	-	272,804
Total Accumulated Depreciation	2,979,122	277,621	-	3,256,743
Total Capital Assets Being Depreciated, net	5,244,885	(277,621)	-	4,967,264
Governmental Activities Capital Assets, net	\$ 5,327,573	\$ (146,883)	\$ -	\$ 5,180,690

Depreciation expense was charged to functions/programs of the District as follows:

	2021	2020
Governmental Activities		
Regular Instruction	\$ 20,099	\$ 27,153
Operation and Maintenance	219,602	215,794
Pupil Transportation	41,327	33,407
School Food Services	1,267	1,267
Total Depreciation Expense - Governmental Activities	\$ 282,295	\$ 277,621

NOTE 5 – LONG-TERM LIABILITIES

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

	Long-term Liabilities at July 1, 2020	Increases	Decreases	Long-term Liabilities at June 30, 2021	Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	\$ 130,738	\$ 3,522,667	\$ (74,556)	\$ 3,578,849	\$ 248,697
Capital Leases Payable	2,253,616	-	(2,253,616)	-	-
Total - Governmental Activities	\$ 2,384,354	\$ 3,522,667	\$ (2,328,172)	\$ 3,578,849	\$ 248,697
	Long-term Liabilities at July 1, 2019	Increases	Decreases	Long-term Liabilities at June 30, 2020	Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	-	130,738	-	130,738	-
Capital Leases Payable	\$ 2,429,205	\$ -	\$ (175,589)	\$ 2,253,616	\$ 180,066
Total - Governmental Activities	\$ 2,429,205	\$ 130,738	\$ (175,589)	\$ 2,384,354	\$ 180,066

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

Outstanding debt at June 30, 2021 and 2020 is comprised of the following issues:

1. General Obligation State School Construction Fund Bond Series 2020A
 - a. From an original issuance of \$1,515,000, at an interest rate of 2.00%, \$1,333,849 and \$130,738 remained outstanding at June 30, 2021 and 2020. The principal and interest are payable through June 1, 2040.
2. North Dakota State Aid Refunding Certificates of Indebtedness Series 2020B
 - a. From an original issuance of \$2,245,000, at an interest rate of 2.00%, \$2,245,000 and \$- remained outstanding at June 30, 2021 and 2020. The principal and interest are payable through August 1, 2031.

The debt service requirements are as follows:

2020A				
(Interest paid annually on June 1)				
Year Ending June 30,	Rate	Principal	Interest	Payment
2022	2.00%	\$ -	\$ -	\$ -
2023	2.00%	65,795	25,872	91,667
2024	2.00%	64,040	27,627	91,667
2025	2.00%	66,775	24,892	91,667
2026	2.00%	68,111	23,556	91,667
2027-2031	2.00%	361,540	96,797	458,337
2032-2036	2.00%	399,171	59,164	458,335
2037-2040	2.00%	349,019	17,628	366,647
Totals		\$ 1,374,451	\$ 249,664	\$ 1,649,987

2020B				
(Interest paid annually on June 1)				
Year Ending June 30,	Rate	Principal	Interest	Payment
2022	2.00%	\$ 185,000	\$ 43,050	\$ 228,050
2023	2.00%	190,000	39,300	229,300
2024	2.00%	190,000	35,500	225,500
2025	2.00%	195,000	31,650	226,650
2026	2.00%	200,000	27,700	227,700
2027-2031	2.00%	1,060,000	76,200	1,136,200
2032	2.00%	225,000	2,250	227,250
Totals		\$ 2,245,000	\$ 255,650	\$ 2,500,650

See note 14 for additional information about subsequent borrowings on the 2020A Bond.

NOTE 6 – RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The District pays an annual premium to NDIRF for its general liability, auto and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$7,000,000 per occurrence for general liability and auto coverage.

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of \$2,000,000 per occurrence during a twelve-month period. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$1,805,137 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

NOTE 7 – PENSION PLANS

North Dakota Teacher's Fund for Retirement

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-Grandfathered

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

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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. Re-funded 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 and 2020, if the District were to report on the full accrual basis, a liability of \$4,309,558 and \$3,872,018 for its proportionate share of the net pension liability would have been reported. The net pension liability was measured as of June 30, 2020 and 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial calculation 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 pension plan relative to the covered payroll of all participating TFFR employees. At June 30, 2021 and 2020 the District's proportion was .281577% and .281141%. The District's pension contributions for the years ended June 30, 2021 and 2020 were \$277,409 and \$261,956.

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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 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. 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.

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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%	6.90%
Global Fixed Income	23%	1.30%
Global Real Assets	18%	5.00%
Cash Equivalents	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2020, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund the 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 Plan Fiduciary Net Position

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

North Dakota Public Employees Retirement System

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

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

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

Pension Benefits

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

At June 30, 2021 and 2020, if the District were to report on the full accrual basis, a liability of \$1,532,836 and \$654,696 for its proportionate share of the net pension liability would have been reported. The net pension liability was measured as of June 30, 2020 and 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial calculation as of that date. The District’s proportion of the net pension liability was based on the Districts share of covered payroll in the pension plan relative to the covered payroll of all participating NDPERS employees. At June 30, 2021 and 2020 the District’s proportion was .048723% and .055858%. The District’s pension contributions for the years ended June 30, 2021 and 2020 were \$47,923 and \$43,317.

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	3.50% to 17.750% including inflation
Investment rate of return	7.00%, net of investment expenses
Cost-of-living-adjustments	None

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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

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

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

Discount Rate

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

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

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

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 – OTHER POST EMPLOYMENT BENEFITS

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.

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

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

OPEB Benefits

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

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

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. 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 and 2020, if the District were to report on the full accrual basis, a liability of \$38,923 and \$41,822 for its proportionate share of the net OPEB liability would have been reported. The net OPEB liability was measured as of June 30, 2020 and 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial calculation 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 employees. At June 30, 2021 and 2020 the District's proportion was .046271% and .052070%. The District's OPEB contributions for the years ended June 30, 2021 and 2020 were \$6,004 and \$6,078.

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

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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%	6.10%
Small Cap Domestic Equities	6%	7.00%
Domestic Fixed Income	40%	1.15%
International Equities	21%	6.45%

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

NOTE 9 – JOINT VENTURE

The District participates in the following joint venture:

South Valley Multi-District Special Education Unit

Formed for the purpose of providing special education services to the member school districts. The Co-op's governing board is composed of representatives from the member school districts, who are superintendents. The Board is responsible for adopting the Co-op's budget and setting service fees at a level adequate to fund the adopted budget. The District retains no equity in the net assets of the Co-op, but does have a responsibility to fund deficits of the Co-op in proportion to the relative participation described above. Separate financial statements for this joint venture are available from South Valley Multi-District Special Education Unit.

NOTE 10 – NONMONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its food service program. The market value of commodities received for the years ended June 30, 2021 and 2020 was \$10,380 and \$11,388.

NOTE 11 – CONCENTRATIONS

The District receives a substantial amount of its support from federal and state governments. A significant reduction in this support may have a material effect on the District's programs and its continued operations.

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

NOTE 12 – ADOPTION OF NEW STANDARD

As of July 1, 2019, the District adopted GASB Statement No. 84, *Fiduciary Activities*. Due to the new standard, the District's student activity accounts will now be held and accounted for in the General Fund. Student activity accounts were previously accounted for in the agency fund. The following table describes the effects of the implementation of GASB 84 on beginning net position and fund balance.

Net Position, July 1, 2019 as previously reported	\$ 3,914,097
Restatement for fiduciary accounting	
Student Activity Fund Balance	<u>324,361</u>
Net Position July 1, 2019 as restated	<u>\$ 4,238,458</u>
General Fund Balance July 1, 2019 as previously reported	\$ 997,158
Restatement for fiduciary accounting	
Student Activity Fund Balance	<u>324,361</u>
General Fund Balance July 1, 2019 as restated	<u>\$ 1,321,519</u>

NOTE 13 – TRANSFERS

Transfers are used to move unrestricted general revenue to finance programs that accounts for in other funds in accordance with budget authority and to subsidize other programs. Transfers were also made to finance long-term debt payments and the food service program.

The District had the following transfers at June 30, 2021 and 2020:

Fund	2021		2020	
	Transfers In	Transfers Out	Transfers In	Transfers Out
General Fund	\$ -	\$ 24,517	\$ -	\$ 85,536
Capital Projects	-	-	71,662	-
Debt Service	24,517	-	-	-
Food Service	-	-	13,874	-
Totals	<u>\$ 24,517</u>	<u>\$ 24,517</u>	<u>\$ 85,536</u>	<u>\$ 85,536</u>

NOTE 14 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through September 30, 2023, the date on which the financial statements were available to be issued.

Subsequent to year end, the District finished construction projects of approximately \$130,000 that was financed by additional borrowing on the 2020A bond of \$100,000.

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – MODIFIED CASH BASIS
Year Ended June 30, 2021

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Local Sources	\$ 1,509,717	\$ 1,491,107	\$ (18,610)
State Sources	2,828,502	2,831,271	2,769
Federal Sources	408,172	387,839	(20,333)
Interest Income	11,109	7,849	(3,260)
Miscellaneous Income	12,000	15,730	3,730
Total Revenues	4,769,500	4,733,796	(35,704)
EXPENDITURES			
Current			
Regular Instruction	2,685,835	2,467,195	218,640
Special Instruction	529,406	508,183	21,223
Vocational Instruction	139,433	133,475	5,958
Pupil Services	179,881	175,442	4,439
General Administration Services	149,871	147,948	1,923
School Administration Services	146,189	147,087	(898)
Other Support Services	180,185	183,729	(3,544)
Operation and Maintenance	323,602	345,864	(22,262)
Pupil Transportation	312,010	271,949	40,061
Student Activities	474,430	415,193	59,237
Total Expenditures	5,120,842	4,796,065	324,777
Excess (Deficiency) of Revenues over Expenditures	(351,342)	(62,269)	289,073
OTHER FINANCING SOURCES (USES)			
Operating Transfer Out	(25,000)	(24,517)	(483)
Total Other Financing Sources (Uses)	(25,000)	(24,517)	(483)
NET CHANGE IN FUND BALANCE	(376,342)	(86,786)	288,590
FUND BALANCE, BEGINNING OF YEAR		1,484,987	
FUND BALANCE, END OF YEAR		\$ 1,398,201	

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – MODIFIED CASH BASIS
Year Ended June 30, 2020

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Local Sources	\$ 1,517,902	\$ 1,521,458	\$ 3,556
State Sources	2,829,779	2,826,760	(3,019)
Federal Sources	157,858	158,555	697
Interest Income	10,000	17,970	7,970
Miscellaneous Income	12,000	14,818	2,818
Total Revenues	4,527,539	4,539,561	12,022
EXPENDITURES			
Current			
Regular Instruction	2,339,442	2,169,287	170,155
Special Instruction	483,492	407,593	75,899
Vocational Instruction	117,675	111,995	5,680
Pupil Services	233,929	219,132	14,797
General Administration Services	146,286	145,833	453
School Administration Services	143,771	135,705	8,066
Other Support Services	166,429	167,186	(757)
Operation and Maintenance	324,048	318,158	5,890
Pupil Transportation	206,035	185,957	20,078
Student Activities	463,489	429,711	33,778
Total Expenditures	4,624,596	4,290,557	334,039
Excess (Deficiency) of Revenues over Expenditures	(97,057)	249,004	346,061
OTHER FINANCING SOURCES (USES)			
Operating Transfer Out	(86,025)	(85,536)	(489)
Total Other Financing Sources (Uses)	(86,025)	(85,536)	(489)
NET CHANGE IN FUND BALANCE	(183,082)	163,468	345,572
FUND BALANCE, BEGINNING OF YEAR		1,321,519	
FUND BALANCE, END OF YEAR		\$ 1,484,987	

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEET – MODIFIED CASH BASIS
June 30, 2021

	Special Reserve	Food Service	Debt Service	Total Other Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 25,982	\$ -	\$ 25,982
Savings and CD's	7,551	-	-	7,551
Total Assets	7,551	25,982	-	33,533
FUND BALANCE				
Restricted	7,551	-	-	7,551
Assigned	-	25,982	-	25,982
Fund Balance	7,551	25,982	-	33,533
Total Liabilities and Fund Balance	\$ 7,551	\$ 25,982	\$ -	\$ 33,533

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEET – MODIFIED CASH BASIS
June 30, 2020

	Special Reserve	Food Service	Debt Service	Total Other Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ -	\$ -	\$ 11,115	\$ 11,115
Savings and CD's	7,403	-	-	7,403
Total Assets	7,403	-	11,115	18,518
FUND BALANCE				
Restricted	7,403	-	11,115	18,518
Fund Balance	7,403	-	11,115	18,518
Total Liabilities and Fund Balance	<u>\$ 7,403</u>	<u>\$ -</u>	<u>\$ 11,115</u>	<u>\$ 18,518</u>

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – MODIFIED CASH BASIS**
Year Ended June 30, 2021

	Special Reserve	Food Service	Debt Service	Total Other Governmental Funds
REVENUES				
Local Sources	\$ -	\$ 23,830	\$ 91,936	\$ 115,766
State Sources	-	469	-	469
Federal Sources	-	217,304	-	217,304
Interest Income	148	20	-	168
Miscellaneous Income	-	506	-	506
Total Revenues	148	242,129	91,936	334,213
EXPENDITURES				
Current				
School Food Services	-	216,147	-	216,147
Debt Service				
Principal	-	-	74,556	74,556
Interest and Other Charges	-	-	53,012	53,012
Total Expenditures	-	216,147	127,568	343,715
Excess (Deficiency) of Revenues over Expenditures	148	25,982	(35,632)	(9,502)
OTHER FINANCING SOURCES				
Operating Transfer In	-	-	24,517	24,517
Total Other Financing Sources	-	-	24,517	24,517
NET CHANGE IN FUND BALANCE	148	25,982	(11,115)	15,015
FUND BALANCE, BEGINNING OF YEAR	7,403	-	11,115	18,518
FUND BALANCE, END OF YEAR	\$ 7,551	\$ 25,982	\$ -	\$ 33,533

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – MODIFIED CASH BASIS**
Year Ended June 30, 2020

	Special Reserve	Food Service	Debt Service	Total Other Governmental Funds
REVENUES				
Local Sources	\$ -	\$ 68,666	\$ -	\$ 68,666
State Sources	-	513	-	513
Federal Sources	-	119,557	-	119,557
Interest Income	27	6	-	33
Miscellaneous Income	-	567	-	567
Total Revenues	27	189,309	-	189,336
EXPENDITURES				
Current				
School Food Services	-	203,183	-	203,183
Total Expenditures	-	203,183	-	203,183
Excess (Deficiency) of Revenues over Expenditures	27	(13,874)	-	(13,847)
OTHER FINANCING SOURCES				
Operating Transfer In	-	13,874	-	13,874
Total Other Financing Sources	-	13,874	-	13,874
NET CHANGE IN FUND BALANCE	27	-	-	27
FUND BALANCE, BEGINNING OF YEAR	7,376	-	11,115	18,491
FUND BALANCE, END OF YEAR	\$ 7,403	\$ -	\$ 11,115	\$ 18,518



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

School Board
Enderlin Area Public School District
Enderlin, North Dakota

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Enderlin Area Public School District, as of and for the years ended June 30, 2021 and 2020, and the related notes to financial statements, which collectively comprise the Enderlin Area Public School District's basic financial statements, and have issued our report thereon dated September 30, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Enderlin Area Public School District's internal control over financial reporting (internal control) as a basis for determining 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 Enderlin Area Public School 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 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of current year findings that we consider to be material weaknesses (2021-001 and 2021-002).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Enderlin Area Public School District'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 these 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*.

District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of current year findings. The District'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 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.



Nadine Julson, LLC
Wahpeton, North Dakota
September 30, 2023

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

SCHEDULE OF CURRENT YEAR FINDINGS
Years ended June 30, 2021 and 2020

2021-001 INADEQUATE SEGREGATION OF DUTIES

Criteria

The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

Condition

Proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel, so duties of employees are properly segregated. More segregation of duties would provide better control over the assets of the District.

Effect or Potential Effect

Without sufficient segregation of duties, the risk significant increases that errors and fraud related to cash receipts, disbursements, and reconciliations, including misappropriation of assets, could occur and not be detected within a timely basis.

Cause

The entity's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Recommendation

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

Views of Responsible Officials

There is no disagreement with the audit finding and we understand that this will be a repeated recommendation due to the limited amount of resources of the District. The District will segregate functions where feasible.

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Schedule of Current Year Findings – Continued

2021-002 FINANCIAL STATEMENT PREPARATION

Criteria

A good system of internal accounting control contemplates an adequate system for the preparation of the financial statements, including recording government wide journal entries in order to reconcile from the fund financials to the government wide financials and ensuring all general ledger accounts are properly reflected.

Condition

The District does not have an internal control system designed to provide for the preparation of the financial statements being audited, including recording government wide journal entries. As auditors, we were requested to draft the financial statements, which include proposing government wide journal entries, and drafting the accompanying notes to the financial statements.

Effect of Potential Effect

Inadequate controls over financial reporting of the District results in more than a remote likelihood that the District would not be able to draft the financial statements and accompanying notes to financial statements that are materially correct without the assistance of the auditors.

Recommendation

We recommend the District be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. As a compensating control, the District should establish an internal control policy to document annual review of the financial statements and to review a financial statement disclosure checklist.

Views of Responsible Officials

The District will continue to have the auditor prepare the financial statements. It is currently not cost-effective for management to perform the preparation.

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Years ended June 30, 2021 and 2020

Prior Financial Statement Findings:

2019-001

A material weakness was reported for inadequate segregation of duties.

Corrective Action Plan

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements. This material weakness continues to exist under the current audit findings as finding number 2021-001.

2019-002

A material weakness was reported for financial statement preparation.

Corrective Action Plan

The accounting functions should be reviewed to determine if it is feasible for the District to prepare its own financial statements. This material weakness continues to exist under the current audit finding 2021-002.

2019-003

The District did not maintain an adequate pledge of securities in accordance with North Dakota Century Code 21-04-09.

Corrective Action Plan

The pledge of securities will be reviewed with each monthly bank reconciliation.