

HANKINSON PUBLIC SCHOOL DISTRICT
Hankinson, North Dakota

AUDITED FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

HANKINSON PUBLIC SCHOOL DISTRICT
Hankinson, North Dakota

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HANKINSON PUBLIC SCHOOL DISTRICT
Hankinson, North Dakota

OFFICIAL DIRECTORY
June 30, 2021

Dave Muehler	President
Matt Asp	Vice-President
Angie Evans	Board Member
Nick Foertsch	Board Member
Aaron Medenwaldt	Board Member
Chad Benson	Superintendent
DeeAnn Bilben	Business Manager



INDEPENDENT AUDITOR'S REPORT

School Board
Hankinson Public School District
Hankinson, 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 Hankinson Public School District (the "District"), as of and for the years ended June 30, 2021 and 2020, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The 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 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 has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in an adjustment of 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 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 October 31, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Nadine Julson, LLC". The signature is written in a cursive, flowing style.

Nadine Julson, LLC
Wahpeton, North Dakota
October 31, 2023

HANKINSON PUBLIC SCHOOL DISTRICT
Hankinson, North Dakota

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

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 2,587,392	\$ 2,433,294
Restricted Cash	<u>406,250</u>	<u>625,000</u>
Total Current Assets	2,993,642	3,058,294
Capital Assets		
Non-depreciable		
Construction in Progress	180,888	-
Depreciable, net of accumulated depreciation		
Buildings and Improvements	4,045,917	4,081,291
Vehicles	193,192	117,891
Equipment	<u>85,785</u>	<u>76,758</u>
Total Capital Assets	<u>4,505,782</u>	<u>4,275,940</u>
Total Assets	7,499,424	7,334,234
LIABILITIES		
Current Liabilities		
Payroll Liabilities	13,434	11,275
Current Portion of Long-term Debt		
General Obligation Bonds Payable	<u>95,000</u>	<u>150,000</u>
Total Current Liabilities	108,434	161,275
Due After One Year		
General Obligation Bonds Payable	<u>900,000</u>	<u>1,220,000</u>
Total Long-term Liabilities	<u>900,000</u>	<u>1,220,000</u>
Total Liabilities	1,008,434	1,381,275
NET POSITION		
Net Investment in Capital Assets	3,510,782	2,905,940
Restricted	1,492,686	1,753,884
Unrestricted	<u>1,487,522</u>	<u>1,293,135</u>
Total Net Position	<u>\$ 6,490,990</u>	<u>\$ 5,952,959</u>

See Notes to Financial Statements

HANKINSON PUBLIC SCHOOL DISTRICT
Hankinson, 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	\$ 2,148,516	\$ -	\$ 438,452	\$ (1,710,064)
Special Instruction	470,904	-	-	(470,904)
Vocational Instruction	87,278	-	-	(87,278)
Pupil Services	64,120	-	-	(64,120)
General Administration Services	171,532	-	-	(171,532)
School Administration Services	99,248	-	-	(99,248)
Other Support Services	23,705	-	-	(23,705)
Operation and Maintenance	718,696	-	-	(718,696)
Pupil Transportation	148,870	-	57,402	(91,468)
Student Activities	271,869	119,874	-	(151,995)
School Food Services	244,809	6,498	204,592	(33,719)
Interest and Other Charges	13,005	-	-	(13,005)
	<u>\$ 4,462,552</u>	<u>\$ 126,372</u>	<u>\$ 700,446</u>	<u>(3,635,734)</u>
General Revenues				
Taxes				
Taxes Levied for General Purposes				1,092,284
Taxes Levied for Debt Purposes				118,337
Taxes Levied for Building Purposes				250,976
State Aid, not restricted for specific purpose				2,592,133
Interest and Investment Earnings				11,376
Gain on Sale of Assets				11,210
Miscellaneous				97,449
Total General Revenues				<u>4,173,765</u>
Change in Net Position				538,031
Net Position, Beginning of Year				<u>5,952,959</u>
Net Position, End of Year				<u>\$ 6,490,990</u>

See Notes to Financial Statements

HANKINSON PUBLIC SCHOOL DISTRICT
Hankinson, 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	\$ 2,118,284	\$ 39,205	\$ 152,964	\$ (1,926,115)
Special Instruction	440,789	-	-	(440,789)
Vocational Instruction	87,647	-	-	(87,647)
Pupil Services	88,375	-	-	(88,375)
General Administration Services	169,576	-	-	(169,576)
School Administration Services	88,748	-	-	(88,748)
Other Support Services	21,790	-	-	(21,790)
Operation and Maintenance	771,018	-	-	(771,018)
Pupil Transportation	151,065	-	91,490	(59,575)
Student Activities	267,786	123,188	-	(144,598)
School Food Services	223,071	58,134	119,450	(45,487)
Interest and Other Charges	12,028	-	-	(12,028)
	<u>\$ 4,440,177</u>	<u>\$ 220,527</u>	<u>\$ 363,904</u>	<u>(3,855,746)</u>
General Revenues				
Taxes				
Taxes Levied for General Purposes				1,030,826
Taxes Levied for Debt Purposes				112,991
Taxes Levied for Building Purposes				239,213
State Aid, not restricted for specific purpose				2,540,379
Interest and Investment Earnings				11,416
Gain on Sale of Assets				26,370
Miscellaneous				74,095
Total General Revenues				<u>4,035,290</u>
Change in Net Position				179,544
Net Position, Beginning of Year				<u>5,773,415</u>
Net Position, End of Year				<u>\$ 5,952,959</u>

See Notes to Financial Statements

HANKINSON PUBLIC SCHOOL DISTRICT
Hankinson, North Dakota

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

	Major Funds			Other	Total
	General Fund	Debt Service	Capital Projects	Governmental Funds	Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 1,467,430	\$ 267,580	\$ 610,885	\$ 241,497	\$ 2,587,392
Restricted Cash	-	406,250	-	-	406,250
Total Assets	1,467,430	673,830	610,885	241,497	2,993,642
LIABILITIES					
Payroll Liabilities	13,434	-	-	-	13,434
Total Liabilities	13,434	-	-	-	13,434
FUND BALANCE					
Restricted	77,823	673,830	610,885	130,148	1,492,686
Assigned	-	-	-	111,349	111,349
Unassigned	1,376,173	-	-	-	1,376,173
Fund Balance	1,453,996	673,830	610,885	241,497	2,980,208
Total Liabilities and Fund Balance	\$ 1,467,430	\$ 673,830	\$ 610,885	\$ 241,497	\$ 2,993,642

See Notes to Financial Statements

HANKINSON PUBLIC SCHOOL DISTRICT
Hankinson, North Dakota

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

	Major Funds			Other	Total
	General Fund	Debt Service	Capital Projects	Governmental Funds	Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 1,321,772	\$ 253,571	\$ 658,676	\$ 199,275	\$ 2,433,294
Restricted Cash	-	625,000	-	-	625,000
Total Assets	1,321,772	878,571	658,676	199,275	3,058,294
LIABILITIES					
Payroll Liabilities	11,275	-	-	-	11,275
Total Liabilities	11,275	-	-	-	11,275
FUND BALANCE					
Restricted	85,252	878,571	658,676	131,385	1,753,884
Assigned	-	-	-	67,890	67,890
Unassigned	1,225,245	-	-	-	1,225,245
Fund Balance	1,310,497	878,571	658,676	199,275	3,047,019
Total Liabilities and Fund Balance	\$ 1,321,772	\$ 878,571	\$ 658,676	\$ 199,275	\$ 3,058,294

See Notes to Financial Statements

HANKINSON PUBLIC SCHOOL DISTRICT
Hankinson, 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 \$ 2,980,208

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	8,716,931	
Less Accumulated Depreciation	<u>(4,211,149)</u>	
Net Capital Assets		4,505,782

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	<u>(995,000)</u>
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Total Net Position of Governmental Activities June 30, 2021	<u><u>\$ 6,490,990</u></u>
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Total Fund Balance - Governmental Funds June 30, 2020 \$ 3,047,019

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	8,332,134	
Less Accumulated Depreciation	<u>(4,056,194)</u>	
Net Capital Assets		4,275,940

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	<u>(1,370,000)</u>
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Total Net Position of Governmental Activities June 30, 2020	<u><u>\$ 5,952,959</u></u>
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See Notes to Financial Statements

HANKINSON PUBLIC SCHOOL DISTRICT
Hankinson, North Dakota

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

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Debt Service	Capital Projects		
REVENUES					
Local Sources	\$ 1,197,433	\$ 149,587	\$ 250,976	\$ 21,262	\$ 1,619,258
State Sources	2,649,535	-	-	2,112	2,651,647
Federal Sources	438,452	-	-	202,480	640,932
Interest Income	7,350	882	2,781	363	11,376
Miscellaneous Income	101,160	-	-	-	101,160
Total Revenues	4,393,930	150,469	253,757	226,217	5,024,373
EXPENDITURES					
Current					
Regular Instruction	2,148,516	-	-	-	2,148,516
Special Instruction	470,904	-	-	-	470,904
Vocational Instruction	87,278	-	-	-	87,278
Pupil Services	64,120	-	-	-	64,120
General Administration Services	171,532	-	-	-	171,532
School Administration Services	99,248	-	-	-	99,248
Other Support Services	23,705	-	-	-	23,705
Operation and Maintenance	545,102	-	42,690	-	587,792
Pupil Transportation	261,971	-	-	-	261,971
Student Activities	271,869	-	-	-	271,869
School Food Services	89,391	-	-	167,995	257,386
Debt Service					
Principal	30,000	345,000	-	-	375,000
Interest and Other Charges	2,795	10,210	-	-	13,005
Facilities Acquisition and Construction	-	-	258,858	-	258,858
Total Expenditures	4,266,431	355,210	301,548	167,995	5,091,184
Excess (Deficiency) of Revenues over Expenditures	127,499	(204,741)	(47,791)	58,222	(66,811)
OTHER FINANCING SOURCES (USES)					
Operating Transfer In	16,000	-	-	-	16,000
Operating Transfer Out	-	-	-	(16,000)	(16,000)
Total Other Financing Sources (Uses)	16,000	-	-	(16,000)	-
NET CHANGE IN FUND BALANCE	143,499	(204,741)	(47,791)	42,222	(66,811)
FUND BALANCE, BEGINNING OF YEAR	1,310,497	878,571	658,676	199,275	3,047,019
FUND BALANCE, END OF YEAR	\$ 1,453,996	\$ 673,830	\$ 610,885	\$ 241,497	\$ 2,980,208

See Notes to Financial Statements

HANKINSON PUBLIC SCHOOL DISTRICT
Hankinson, North Dakota

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

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Debt Service	Capital Projects		
REVENUES					
Local Sources	\$ 1,179,333	\$ 144,241	\$ 239,213	\$ 72,101	\$ 1,634,888
State Sources	2,633,543	-	-	2,814	2,636,357
Federal Sources	151,290	-	-	116,636	267,926
Interest Income	7,565	796	2,788	267	11,416
Miscellaneous Income	79,274	-	-	-	79,274
Total Revenues	4,051,005	145,037	242,001	191,818	4,629,861
EXPENDITURES					
Current					
Regular Instruction	2,118,284	-	-	-	2,118,284
Special Instruction	440,789	-	-	-	440,789
Vocational Instruction	87,647	-	-	-	87,647
Pupil Services	88,375	-	-	-	88,375
General Administration Services	169,576	-	-	-	169,576
School Administration Services	88,748	-	-	-	88,748
Other Support Services	21,790	-	-	-	21,790
Operation and Maintenance	416,637	-	233,994	-	650,631
Pupil Transportation	185,971	-	-	-	185,971
Student Activities	267,786	-	-	-	267,786
School Food Services	73,434	-	-	149,637	223,071
Debt Service					
Principal	55,000	-	-	-	55,000
Interest and Other Charges	6,388	5,640	-	-	12,028
Facilities Acquisition and Construction	-	-	131,057	-	131,057
Total Expenditures	4,020,425	5,640	365,051	149,637	4,540,753
Excess (Deficiency) of Revenues over Expenditures	30,580	139,397	(123,050)	42,181	89,108
FUND BALANCE, BEGINNING OF YEAR	1,279,917	739,174	781,726	157,094	2,957,911
FUND BALANCE, END OF YEAR	\$ 1,310,497	\$ 878,571	\$ 658,676	\$ 199,275	\$ 3,047,019

See Notes to Financial Statements

HANKINSON PUBLIC SCHOOL DISTRICT
Hankinson, 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	\$	(66,811)
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.		
		253,632
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.		
		375,000
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.		
		(23,790)
Change in Net Position of Governmental Activities June 30, 2021	\$	<u>538,031</u>
Net Change in Fund Balances - Total Government Funds June 30, 2020	\$	89,108
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.		
		45,576
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.		
		55,000
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.		
		(10,140)
Change in Net Position of Governmental Activities June 30, 2020	\$	<u>179,544</u>

See Notes to Financial Statements

HANKINSON PUBLIC SCHOOL DISTRICT
Hankinson, North Dakota

NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Hankinson Public School District, Hankinson, 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 Hankinson 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 District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the District.

Based on these criteria, there is one component unit to be included within the District as a reporting entity. The following is a blended component unit.

Hankinson Public School Building Authority – The Hankinson Public School Building Authority (Building Authority) was created by the school board to aid, assist and foster the planning, development, construction, renovation and improvement of school buildings, furnishings, fixtures, equipment, and related facilities for the District. The school board is the governing board of the Building Authority. Activity of the Building Authority is recorded in the capital projects fund.

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 (Hankinson 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 funds:

1. General Fund
 - a. 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
 - a. Used to account for financial resources related to capital outlays made by the District.

HANKINSON PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

3. Debt Projects Fund

- a. Used to account for the accumulation of resources for, and payment of, general obligation bond principal, interest, and related costs.

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. 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.

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.

HANKINSON 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

Teachers may accumulate a maximum of 110 days of sick days. Teachers who have reached the maximum accumulated sick leave shall have their unused sick days from the current school year paid out at \$25 per day with a maximum of 10 days.

Twelve-month employees shall receive 12 days paid vacation and 1 sick day per month in proportion with the number of hours per day employed. Vacation and sick time are earned at a rate of one day per month. Vacation time must be used during the current year and is not accumulative, sick days may be accumulated to a maximum of 30 days.

Part-time employees shall receive 2 days paid vacation in proportion with the number of hours per day employed. Vacation time must be used during the current year and is not accumulative.

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 and Net Position

In the fund financial statements, governmental funds report fund balance in the classifications that disclose constraints for which amounts 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.

HANKINSON 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 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 exceeded budgeted amounts for the year ended June 30, 2021. Expenditures in excess of budgeted amounts were offset by additional revenues in excess of budgeted amounts from federal sources.

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 \$2,993,642 and \$3,058,294. The bank balances were \$3,335,523 and \$3,318,145. Of the bank balances, \$500,000 was covered by Federal Depository Insurance and the remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

HANKINSON 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.

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.

Restricted Cash

At June 30, 2021 and 2020 the District's restricted cash consisted of amounts held in escrow for future debt payments.

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				
Construction in Progress	\$ -	\$ 180,888	\$ -	\$ 180,888
Total Capital Assets, not being depreciated	-	180,888	-	180,888
Capital Assets, being depreciated				
Buildings and Improvements	7,705,877	77,970	-	7,783,847
Vehicles	471,136	108,150	-	579,286
Equipment	155,121	51,774	(33,985)	172,910
Total Capital Assets, being depreciated	8,332,134	237,894	(33,985)	8,536,043
Less Accumulated Depreciation for				
Buildings and Improvements	3,624,586	113,344	-	3,737,930
Vehicles	353,245	32,849	-	386,094
Equipment	78,363	18,957	(10,195)	87,125
Total Accumulated Depreciation	4,056,194	165,150	(10,195)	4,211,149
Total Capital Assets Being Depreciated, net	4,275,940	72,744	(23,790)	4,324,894
Governmental Activities Capital Assets, net	\$ 4,275,940	\$ 253,632	\$ (23,790)	\$ 4,505,782

HANKINSON PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020
Governmental Activities				
Capital Assets, being depreciated				
Buildings and Improvements	\$ 7,574,820	\$ 131,057	\$ -	\$ 7,705,877
Vehicles	429,406	58,630	(16,900)	471,136
Equipment	155,121	-	-	155,121
Total Capital Assets, being depreciated	8,159,347	189,687	(16,900)	8,332,134
Less Accumulated Depreciation for				
Buildings and Improvements	3,517,979	106,607	-	3,624,586
Vehicles	336,281	23,724	(6,760)	353,245
Equipment	64,583	13,780	-	78,363
Total Accumulated Depreciation	3,918,843	144,111	(6,760)	4,056,194
Total Capital Assets Being Depreciated, net	4,240,504	45,576	(10,140)	4,275,940
Governmental Activities Capital Assets, net	\$ 4,240,504	\$ 45,576	\$ (10,140)	\$ 4,275,940

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

	2021	2020
Governmental Activities		
Operation and Maintenance	\$ 130,904	\$ 120,387
Pupil Transportation	32,849	23,724
School Food Services	1,397	-
Total Depreciation Expense - Governmental Activities	\$ 165,150	\$ 144,111

NOTE 5 – LONG-TERM LIABILITIES

During the years ended June 30, 2021 and 2020, the following changes occurred 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	\$ 1,370,000	\$ -	\$ (375,000)	\$ 995,000	\$ 95,000
Total - Governmental Activities	\$ 1,370,000	\$ -	\$ (375,000)	\$ 995,000	\$ 95,000
	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	\$ 1,425,000	\$ -	\$ (55,000)	\$ 1,370,000	\$ 150,000
Total - Governmental Activities	\$ 1,425,000	\$ -	\$ (55,000)	\$ 1,370,000	\$ 150,000

HANKINSON PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

Outstanding debt at June 30, 2021 and 2020, are comprised of the following individual issuances:

1. Qualified Zone Academy Bond of 2007
 - a. From an original issuance of \$500,000 at an interest rate of 0%. At June 30, 2021 and 2020 \$500,000 remained outstanding. The District pays into a savings account \$31,250 each year for eventual payment in full on due July 1, 2023.
2. General Obligation School Building Refunding Bonds, Series 2013
 - a. From an original issuance of \$955,000 at interest rates of .60% – 2.00%. At June 30, 2021 and 2020 \$495,000 and \$590,000 remained outstanding. The principal and interest are payable through August 1, 2025.
3. Lease Revenue Refunding Bonds, Series 2013
 - a. From an original issuance of \$640,000 at interest rates of .50% – 2.35%. At June 30, 2021 and 2020 \$- and \$280,000 remained outstanding. The principal and interest are payable through May 1, 2025.

The debt service requirement are as follows:

Year Ending June 30,	Principal	Interest	Payment
2022	\$ 95,000	\$ 9,710	\$ 104,710
2023	95,000	8,570	103,570
2024	600,000	7,050	607,050
2025	100,000	5,100	105,100
2026	105,000	4,150	109,150
	<u>\$ 995,000</u>	<u>\$ 34,580</u>	<u>\$ 1,029,580</u>

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 \$2,000,000 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 \$1,217,000 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.

HANKINSON PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-Grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70½. 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 \$3,304,164 and \$3,062,185 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 TFFR employees. At June 30, 2021 and 2020 the District’s proportion was .215887% and .222340%. The District’s pension contributions for the years ended June 30, 2021 and 2020 was \$208,164 and \$200,843

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	7.72%, 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.

HANKINSON PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equities	58%	6.90%
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.

HANKINSON PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

NOTE 8 – RETIREMENT PLAN

The District established a 403(b) retirement plan where the District will contribute up to \$9,000 in 403(b) contributions and other cafeteria benefits. For the years ended June 30, 2021 and 2020 the amounts the District contributed were \$95,291 and \$90,275.

NOTE 9 – JOINT VENTURE

The District participates in the following joint ventures:

A. South Valley 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 the South Valley Special Education Unit.

B. Southeast Region Career and Technology Center

Formed for the purpose of providing vocational services to the member school districts. The Co-op's governing board is composed of representatives from the member school districts, who are school board members. 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. Separate financial statements for this joint venture are available from Southeast Region Career and Technology Center.

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 were \$14,594 and \$13,271.

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.

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 in 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	\$ 5,680,441
Restatement for fiduciary accounting:	
Student Activity Fund Balance	<u>92,974</u>
Net Position July 1, 2020 as restated	<u><u>\$ 5,773,415</u></u>
General Fund Balance July 1, 2020 as previously reported	\$ 1,186,943
Restatement for fiduciary accounting:	
Student Activity Fund Balance	<u>92,974</u>
General Fund Balance July 1, 2019 as restated	<u><u>\$ 1,279,917</u></u>

NOTE 13 – TRANSFERS

Amounts transferred from the Special Reserve to the General Fund were made in accordance with NDCC 57-19-02.

NOTE 14 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 31, 2023, the date on which the financial statements were available to be issued.

Subsequent to year end, the District expended approximately \$2 million on construction projects.

HANKINSON PUBLIC SCHOOL DISTRICT
Hankinson, 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	\$ 1,256,679	\$ 1,197,433	\$ (59,246)
State Sources	2,701,972	2,649,535	(52,437)
Federal Sources	134,582	438,452	303,870
Interest Income	7,700	7,350	(350)
Miscellaneous Income	93,742	101,160	7,418
Total Revenues	4,194,675	4,393,930	199,255
EXPENDITURES			
Current			
Regular Instruction	2,123,036	2,148,516	(25,480)
Special Instruction	485,323	470,904	14,419
Vocational Instruction	87,278	87,278	-
Pupil Services	73,027	64,120	8,907
General Administration Services	176,132	171,532	4,600
School Administration Services	98,972	99,248	(276)
Other Support Services	25,175	23,705	1,470
Operation and Maintenance	485,474	545,102	(59,628)
Pupil Transportation	210,717	261,971	(51,254)
Student Activities	296,306	271,869	24,437
School Food Services	94,753	89,391	5,362
Debt Service			
Principal	30,000	30,000	-
Interest and Other Charges	2,795	2,795	-
Total Expenditures	4,188,988	4,266,431	(77,443)
Excess of Revenues over Expenditures	5,687	127,499	121,812
OTHER FINANCING SOURCES			
Operating Transfer In	-	16,000	16,000
Total Other Financing Sources	-	16,000	16,000
NET CHANGE IN FUND BALANCE	5,687	143,499	137,812
FUND BALANCE, BEGINNING OF YEAR		1,310,497	
FUND BALANCE, END OF YEAR		\$ 1,453,996	

HANKINSON PUBLIC SCHOOL DISTRICT
Hankinson, 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	\$ 1,183,793	\$ 1,179,333	\$ (4,460)
State Sources	2,617,159	2,633,543	16,384
Federal Sources	167,324	151,290	(16,034)
Interest Income	7,700	7,565	(135)
Miscellaneous Income	28,870	79,274	50,404
Total Revenues	4,004,846	4,051,005	46,159
EXPENDITURES			
Current			
Regular Instruction	2,180,086	2,118,284	61,802
Special Instruction	432,765	440,789	(8,024)
Vocational Instruction	87,647	87,647	-
Pupil Services	58,961	88,375	(29,414)
General Administration Services	171,666	169,576	2,090
School Administration Services	92,849	88,748	4,101
Other Support Services	19,680	21,790	(2,110)
Operation and Maintenance	436,375	416,637	19,738
Pupil Transportation	148,609	185,971	(37,362)
Student Activities	287,284	267,786	19,498
School Food Services	66,925	73,434	(6,509)
Debt Service			
Principal	55,000	55,000	-
Interest and Other Charges	6,388	6,388	-
Total Expenditures	4,044,235	4,020,425	23,810
Excess (Deficiency) of Revenues over Expenditures	(39,389)	30,580	69,969
FUND BALANCE, BEGINNING OF YEAR		1,279,917	
FUND BALANCE, END OF YEAR		\$ 1,310,497	

HANKINSON PUBLIC SCHOOL DISTRICT
Hankinson, North Dakota

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

	Special Reserve	Food Service	Total Other Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 130,148	\$ 111,349	\$ 241,497
Total Assets	130,148	111,349	241,497
FUND BALANCE			
Restricted	130,148	-	130,148
Assigned	-	111,349	111,349
Fund Balance	\$ 130,148	\$ 111,349	\$ 241,497

HANKINSON PUBLIC SCHOOL DISTRICT
Hankinson, North Dakota

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

	Special Reserve	Food Service	Total Other Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 131,385	\$ 67,890	\$ 199,275
Total Assets	131,385	67,890	199,275
FUND BALANCE			
Restricted	131,385	-	131,385
Assigned	-	67,890	67,890
Fund Balance	\$ 131,385	\$ 67,890	\$ 199,275

HANKINSON PUBLIC SCHOOL DISTRICT
Hankinson, 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	Total Other Governmental Funds
REVENUES			
Local Sources	\$ 14,725	\$ 6,537	\$ 21,262
State Sources	-	2,112	2,112
Federal Sources	-	202,480	202,480
Interest Income	38	325	363
Total Revenues	14,763	211,454	226,217
EXPENDITURES			
Current			
School Food Services	-	167,995	167,995
Total Expenditures	-	167,995	167,995
Excess of Revenues over Expenditures	14,763	43,459	58,222
OTHER FINANCING SOURCES (USES)			
Operating Transfer Out	(16,000)	-	(16,000)
Total Other Financing Sources (Uses)	(16,000)	-	(16,000)
NET CHANGE IN FUND BALANCE	(1,237)	43,459	42,222
FUND BALANCE, BEGINNING OF YEAR	131,385	67,890	199,275
FUND BALANCE, END OF YEAR	\$ 130,148	\$ 111,349	\$ 241,497

HANKINSON PUBLIC SCHOOL DISTRICT
Hankinson, 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	Total Other Governmental Funds
REVENUES			
Local Sources	\$ 13,886	\$ 58,215	\$ 72,101
State Sources	-	2,814	2,814
Federal Sources	-	116,636	116,636
Interest Income	37	230	267
Total Revenues	13,923	177,895	191,818
EXPENDITURES			
Current			
School Food Services	-	149,637	149,637
Total Expenditures	-	149,637	149,637
Excess of Revenues over Expenditures	13,923	28,258	42,181
FUND BALANCE, BEGINNING OF YEAR	117,462	39,632	157,094
FUND BALANCE, END OF YEAR	\$ 131,385	\$ 67,890	\$ 199,275



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
Hankinson Public School District
Hankinson, 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 Hankinson 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 Hankinson Public School District's basic financial statements, and have issued our report thereon dated October 31, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hankinson Public School District's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hankinson 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 Hankinson 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 the findings 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
October 31, 2023

HANKINSON PUBLIC SCHOOL DISTRICT
Hankinson, 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.

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.

HANKINSON 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.

HANKINSON PUBLIC SCHOOL DISTRICT
Hankinson, 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 findings as finding number 2021-002.