**CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3**
**BUXTON, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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**CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3**
ROSTER OF SCHOOL OFFICIALS – UNAUDITED
JUNE 30, 2022

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| David Seyfried | President |
| Gregg Troftgruben | Vice President |
| Carrie Knutson | Board Member |
| Eric Gunderson | Board Member |
| Gregory Saure, Jr. | Board Member |
| David Knudsvig | Board Member |
| Ronald Sondrol | Board Member |
| Lenita Larson | Business Manager |
| Jeremy Brandt | Superintendent |

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BradyMartz

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Education
Central Valley Public School District No. 3
Buxton, North Dakota

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Central Valley Public School District No. 3, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Central Valley Public School District No. 3, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

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. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Central Valley Public School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Central Valley Public School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Central Valley Public School District's ability to continue as a going concern for a reasonable period of time.

***Required Supplementary Information***

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

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards,* we have also issued our report dated September 2, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Brady Martz

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

September 2, 2022

The discussion and analysis of Central Valley Public School District's financial performance provides an overall review of the District's financial activities for the year ended June 30, 2022. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

## Financial Highlights

Key financial highlights for 2022 are as follows:

- Net position of the District increased by $133,451 as a result of the current year's operations.
- Governmental net position totaled $1,512,000.
- Total revenues from all sources were $3,418,896.
- Total expenses were $3,285,445.
- The District's general fund had $3,114,129 in total revenues and $3,183,411 in expenditures and other financing uses. Overall, the general fund balance for the year ended June 30, 2022 was $1,128,177.

## Using this Annual Report

This annual report consists of a series of financial statements and related footnotes. These statements are organized so the reader can understand Central Valley Public School District No. 3 as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

## Reporting the School District as a Whole

### Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District do financially during the year ended June 30, 2022?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws in North Dakota, facility condition, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

## Reporting the School District's Most Significant Funds

### Fund Financial Statements

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

### Governmental Funds

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

## Financial Analysis of the District as a Whole

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

Table 1 provides a summary of the District's net position as of June 30, 2022 and 2021.

As indicated in the financial highlights, the District's net position increased by $133,451 for the year ended June 30, 2022. Net position may serve over time as a useful indicator of the District's financial position.

The District's net position of $1,512,000 is segregated into three separate categories. Net investment in capital assets (net of related debt) represents 153% of the District's entire net position. It should be noted that this position is not available for future spending. Restricted net position represents 35% of the District's net position. Restricted net position represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted net position represents -87% of the District's net position. The unrestricted net position is available to meet the District's ongoing obligations. Table 1 shows the District's net position.

| Table 1 | 2022 | 2021 |
|---|---|---|
| Assets | | |
| Current Assets | $ 1,759,791 | $ 1,721,523 |
| Capital Assets (Net of Depreciation) | 2,311,842 | 2,355,110 |
| Total Assets | 4,071,633 | 4,076,633 |
| Deferred Outflows of Resources | 270,155 | 504,793 |
| Liabilities | | |
| Current Liabilities | 51,398 | 72,339 |
| Long-Term Liabilities | 2,041,385 | 2,920,204 |
| Total Liabilities | 2,092,783 | 2,992,543 |
| Deferred Inflows of Resources | 737,005 | 210,334 |
| Net Position | | |
| Net Investment in Capital Assets | 2,311,842 | 2,355,110 |
| Restricted | 521,973 | 451,708 |
| Unrestricted | (1,321,815) | (1,428,269) |
| Total Net Position | $ 1,512,000 | $ 1,378,549 |

Table 2 shows the changes in net position for the fiscal year ended June 30, 2022.

| Table 2 | 2022 | 2021 |
|---|---|---|
| Revenues | | |
| Program Revenues | | |
| Charges for Services | $ 157,611 | $ 152,362 |
| Operating Grants and Contributions | 524,408 | 511,503 |
| General Revenues | | |
| Taxes | 1,090,688 | 1,145,502 |
| State Aid | 1,636,878 | 1,694,447 |
| Investment Earnings | 9,311 | 11,337 |
| Total Revenues | 3,418,896 | 3,515,151 |
| Expenses | | |
| Business Support Services | 118,737 | 96,736 |
| Instructional Support Services | 2,953 | 2,603 |
| Administration | 431,197 | 387,671 |
| Operations and Maintenance | 254,412 | 270,423 |
| Transportation | 180,345 | 171,466 |
| Regular Instruction | 1,601,626 | 1,988,409 |
| Special Education | 289,614 | 294,038 |
| Vocational Education | 46,945 | 45,788 |
| Extra-Curricular Activities | 191,607 | 173,909 |
| Food Services | 168,009 | 154,045 |
| Total Expenses | 3,285,445 | 3,585,088 |
| Change in Net Position | 133,451 | (69,937) |
| Net Position - Beginning | 1,378,549 | 1,374,376 |
| GASB 84 Adjustment | - | 74,110 |
| Net Position - Beginning as Restated | 1,378,549 | 1,448,486 |
| Net Position - Ending | $ 1,512,000 | $ 1,378,549 |

Property taxes constituted 31.9%, state aid 47.9%, operating grants and contributions 15.3% and charges for services made up 4.6% of the total revenues of governmental activities of the District for fiscal year 2022.

Regular programs comprised 48.7% of District expenses.

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

| Table 3 | Total Cost for Year Ended 6/30/2022 | Net Cost for Year Ended 6/30/2022 | Total Cost for Year Ended 6/30/2021 | Net Cost for Year Ended 6/30/2021 |
|---|---|---|---|---|
| Business Support Services | $ 118,737 | $ 118,737 | $ 96,736 | $ 96,736 |
| Instructional Support Services | 2,953 | 2,953 | 2,603 | 2,603 |
| Administration | 431,197 | 431,197 | 387,671 | 387,671 |
| Operations and Maintenance | 254,412 | 254,412 | 270,423 | 270,423 |
| Transportation | 180,345 | 80,359 | 171,466 | 99,082 |
| Regular Instruction | 1,601,626 | 1,336,814 | 1,988,409 | 1,676,084 |
| Special Education | 289,614 | 249,465 | 294,038 | 257,106 |
| Vocational Education | 46,945 | 18,922 | 45,788 | 13,469 |
| Extra-Curricular Activities | 191,607 | 135,321 | 173,909 | 137,973 |
| Food Services | 168,009 | (24,754) | 154,045 | (19,924) |
| | $ 3,285,445 | $ 2,603,426 | $ 3,585,088 | $ 2,921,223 |

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

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

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

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

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

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

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

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

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

## Financial Analysis of the District's Governmental Funds

The focus of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unassigned fund balance generally may be used as a measure of the District's net resources available for spending at the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting. The District's governmental funds had total revenues and other financing sources of $3,406,866 and $3,526,800 and expenditures and other financing uses of $3,359,687 and $3,478,211 for the years ended June 30, 2022 and 2021, respectively. As of June 30, 2022, the fund balance of the District's general fund was $1,128,177.

## General Fund Budgeting Highlights

Over the course of the year, the District revised the annual operating budget.

Actual revenues were $32,539 less than expected and actual expenditures were $31,815 under budget. This is primarily the result of less revenue from other local and county sources as well as less administration, operations and maintenance, transportation and instruction expenses than anticipated during the budget process.

## Capital Assets

As of June 30, 2022 and 2021, the District had $2,311,842 and $2,355,110, respectively invested in capital assets. Table 4 shows balances as of June 30, 2022 and 2021. See Note 4 for more information.

Table 4
Capital Assets (Net of Depreciation) at June 30th

| | 2022 | 2021 |
|---|---|---|
| Land | $ 95,243 | $ 95,243 |
| Buildings | 1,722,714 | 1,786,488 |
| Equipment | 493,885 | 473,379 |
| Total | $ 2,311,842 | $ 2,355,110 |

## Long-Term Liabilities

As of June 30, 2022, the District had $2,041,384 in long-term liabilities. The net decrease in the District's long-term liabilities was $878,820 from June 30, 2021. See Note 5 for details. See below for a description of the District's long-term liabilities:

Table 5
District's Long-Term Liabilities

| | Balance June 30, 2021 | Issued | Amount Retired During Year | Balance June 30, 2022 |
|---|---|---|---|---|
| Compensated Absences | $ 9,576 | $ 740 | $ - | $ 10,316 |
| Early Retirement Payable | 51,680 | 48,046 | 17,227 | 82,499 |
| Net Pension Liability | 2,858,948 | 737,576 | 1,647,954 | 1,948,570 |
| | $ 2,920,204 | $ 786,362 | $ 1,665,181 | $ 2,041,385 |

**For the Future**

Future plans include upgrading the District's mini-van, buying a new bus dependent on receiving a clean diesel grant, constructing a bus/storage garage, minor roof repairs, replacing entryway heaters, and a new reading curriculum for the elementary. Many of these projects will continue to utilize federal ESSER II and III dollars.

The District is projecting 200 students for the 2022-23 school year, which will be an increase of 2 students from the previous year.

The District has prepared a general fund surplus budget of approximately $27,140 for 2022-23 with a decrease of two mills levied for the general fund to 68 mills. The District anticipates maintaining the balance of the building fund due to the use of ESSER funds for building and renovation projects. The District again will not levy special reserve mills in 2022-23 due to a projected healthy carryover.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. You may request a copy of this report by contacting Lenita Larson, Business Manager, Central Valley Public School District, 1556 HWY 81 NE, Buxton, ND 58218.

**CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3**
STATEMENT OF NET POSITION
JUNE 30, 2022

| | |
|---|---|
| ASSETS | |
| Cash and Investments | $ 1,655,349 |
| Property Taxes Receivable | 55,182 |
| Accounts Receivable | 49,260 |
| Total Current Assets | 1,759,791 |
| Capital Assets | |
| Land | 95,243 |
| Buildings | 3,661,747 |
| Equipment | 1,664,869 |
| Less Accumulated Depreciation | 3,110,017 |
| Total Capital Assets, Net of Depreciation | 2,311,842 |
| TOTAL ASSETS | 4,071,633 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Cost Sharing Defined Benefit Pension Plan - TFFR | 270,155 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 270,155 |
| LIABILITIES | |
| Accounts Payable | 2,402 |
| Salaries Payable | 48,996 |
| Total Current Liabilities | 51,398 |
| Long-Term Liabilities | |
| Compensated Absences | 10,316 |
| Early Retirement Payable | 82,499 |
| Net Pension Liability | 1,948,570 |
| Total Non-Current Liabilities | 2,041,385 |
| TOTAL LIABILITIES | 2,092,783 |
| DEFERRED INFLOWS OF RESOURCES | |
| Cost Sharing Defined Benefit Pension Plan - TFFR | 737,005 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 737,005 |
| NET POSITION | |
| Net Investment in Capital Assets | 2,311,842 |
| Restricted for: | |
| Student Activities | 70,753 |
| Special Reserve | 139,180 |
| Capital Projects | 312,040 |
| Unrestricted | (1,321,815) |
| TOTAL NET POSITION | $ 1,512,000 |

See Notes to the Financial Statements

**CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3**
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Net (Expense) Revenue and Changes in Net Position |
|---|---|---|---|---|
| GOVERNMENTAL ACTIVITIES | | | | |
| Business Support Services | $ 118,737 | $ - | $ - | $ (118,737) |
| Instructional Support Services | 2,953 | - | - | (2,953) |
| Administration | 431,197 | - | - | (431,197) |
| Operations and Maintenance | 254,412 | - | - | (254,412) |
| Transportation | 180,345 | - | 99,986 | (80,359) |
| Regular Instruction | 1,601,626 | 83,821 | 180,991 | (1,336,814) |
| Special Education | 289,614 | - | 40,149 | (249,465) |
| Vocational Education | 46,945 | - | 28,023 | (18,922) |
| Extra-Curricular Activities | 191,607 | 56,286 | - | (135,321) |
| Food Services | 168,009 | 17,504 | 175,259 | 24,754 |
| TOTAL GOVERNMENTAL ACTIVITIES | $ 3,285,445 | $ 157,611 | $ 524,408 | (2,603,426) |
| GENERAL REVENUES | | | | |
| Property Taxes, Levied for General Purposes | | | | 992,018 |
| Property Taxes, Levied for Special Reserve | | | | 905 |
| Property Taxes, Levied for Capital Projects | | | | 97,765 |
| Aids and Payments from the State | | | | 1,636,878 |
| Unrestricted Investment Earnings | | | | 9,311 |
| TOTAL GENERAL REVENUES | | | | 2,736,877 |
| Change in Net Position | | | | 133,451 |
| Net Position - Beginning | | | | 1,378,549 |
| Net Position - Ending | | | | $ 1,512,000 |

See Notes to the Financial Statements

**CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3**
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2022

| | General Fund | Capital Projects | Other Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| ASSETS | | | | |
| Cash and Investments | $ 1,121,802 | $ 307,758 | $ 225,789 | $ 1,655,349 |
| Property Taxes Receivable | 50,728 | 4,282 | 172 | 55,182 |
| Accounts Receivable | 49,260 | - | - | 49,260 |
| TOTAL ASSETS | $ 1,221,790 | $ 312,040 | $ 225,961 | $ 1,759,791 |
| LIABILITIES | | | | |
| Accounts Payable | $ 2,402 | $ - | $ - | $ 2,402 |
| Salaries and Wages Payable | 48,940 | - | 56 | 48,996 |
| TOTAL LIABILITIES | 51,342 | - | 56 | 51,398 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable Revenue - Delinquent Taxes | 42,271 | 3,600 | 144 | 46,015 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 42,271 | 3,600 | 144 | 46,015 |
| FUND BALANCES | | | | |
| Restricted | 70,753 | 308,440 | 139,036 | 518,229 |
| Assigned | 82,499 | - | 86,725 | 169,224 |
| Unassigned | 974,925 | - | - | 974,925 |
| TOTAL FUND BALANCES | 1,128,177 | 308,440 | 225,761 | 1,662,378 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | $ 1,221,790 | $ 312,040 | $ 225,961 | $ 1,759,791 |

See Notes to the Financial Statements

**CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3**
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2022

| | | |
|---|---|---|
| Total fund balances - governmental funds | | $ 1,662,378 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources, and therefore are not reported as net assets in government funds: | | |
| Cost of capital assets | $ 5,421,859 | |
| Less: Accumulated depreciation | 3,110,017 | |
| Net | | 2,311,842 |
| Net deferred outflows/(inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows/(inflows) of resources in the governmental funds. | | (466,850) |
| Property taxes receivable will be collected during the year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. | | 46,015 |
| Long-term liabilities, including special assessments, are not due and payable in the current period and therefore, are not recorded as liabilities in the governmental funds. | | |
| Compensated Absences | | (10,316) |
| Early Retirement Payable | | (82,499) |
| Net Pension Liability | | (1,948,570) |
| Net Position - Governmental Activities | | $ 1,512,000 |

See Notes to the Financial Statements

**CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3**
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

| | General Fund | Capital Projects | Other Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| REVENUES | | | | |
| Local Property Tax Levies | $ 979,988 | $ 97,765 | $ 905 | $ 1,078,658 |
| Other Local & County Revenues | 140,107 | - | 17,504 | 157,611 |
| Revenue From State Sources | 1,756,387 | - | 378 | 1,756,765 |
| Revenue From Federal Sources | 229,640 | - | 174,881 | 404,521 |
| Interest | 8,007 | 1,304 | - | 9,311 |
| TOTAL REVENUES | 3,114,129 | 99,069 | 193,668 | 3,406,866 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Business Support Services | 118,737 | - | - | 118,737 |
| Instructional Support Services | 2,953 | - | - | 2,953 |
| Administration | 431,197 | - | - | 431,197 |
| Operations and Maintenance | 242,335 | 8,267 | - | 250,602 |
| Transportation | 159,438 | - | - | 159,438 |
| Regular Instruction | 1,590,959 | - | - | 1,590,959 |
| Special Education | 289,614 | - | - | 289,614 |
| Vocational Education | 46,945 | - | - | 46,945 |
| Extra - Curricular Activities | 191,607 | - | - | 191,607 |
| Food Services | - | - | 168,009 | 168,009 |
| Capital Outlay: | | | | |
| Capital Outlay | 109,626 | - | - | 109,626 |
| TOTAL EXPENDITURES | 3,183,411 | 8,267 | 168,009 | 3,359,687 |
| Excess (Deficiency) of Revenues over Expenditures | (69,282) | 90,802 | 25,659 | 47,179 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 17,227 | - | - | 17,227 |
| Transfers Out | - | - | (17,227) | (17,227) |
| TOTAL OTHER FINANCING SOURCES (USES) | 17,227 | - | (17,227) | - |
| Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses | (52,055) | 90,802 | 8,432 | 47,179 |
| Fund Balance - Beginning of Year | 1,180,232 | 217,638 | 217,329 | 1,615,199 |
| Fund Balance - End of Year | $ 1,128,177 | $ 308,440 | $ 225,761 | $ 1,662,378 |

See Notes to the Financial Statements

**CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3**
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

| | | |
|---|---|---|
| Total net changes in fund balances - Governmental Funds | | $ 47,179 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the useful lives as depreciation expense. | | |
| Capital Outlays | $ 109,626 | |
| Depreciation Expense | (152,894) | |
| Excess of depreciation expense over capital outlay | | (43,268) |
| Some items reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. This consisted of: | | |
| Net change in compensated absences | | (740) |
| Net change in early retirement payable | | (30,819) |
| Some revenues will not be collected for several months after the District's fiscal year end. These revenues are not considered "available" revenues in the governmental funds. These consist of: | | |
| Net change in unavailable property taxes | | 12,030 |
| Changes in deferred outflows and inflows of resources related to net pension liability | | (761,309) |
| Change in net pension liability | | 910,378 |
| Change in net position - Governmental Activities | | $ 133,451 |

See Notes to the Financial Statements

**NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

The Central Valley Public School District operates the public school for the Cities of Buxton and Reynolds, North Dakota, along with the surrounding area.

Reporting Entity - Component units are legally separate organizations for which the District is financially accountable. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State 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 State. Component units may also include organizations that are fiscally dependent on the District. Fiscal dependence can include the District's approval of the budget, issuance of debt, and/or levying of taxes for the organization.

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

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Basis of Presentation**

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

**Government-wide Financial Statements:**

The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These statements display information about the District as a whole.

The Statement of Net Position presents the financial condition of the governmental activities of the District at year-end.

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

As a general rule, the effect of interfund activity has been eliminated from the district-wide statements.

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

**Fund Financial Statements:**

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

***Fund Accounting***

The District's funds consist of the following:

**Governmental Funds:**

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

> <u>General Fund</u>
> This fund is the general operating fund of the District and the financial transactions related to the District's student activity programs. It accounts for all financial resources except those requiring to be accounted for in another fund.
>
> <u>Capital Projects</u>
> This fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for acquiring school sites, constructing and equipping new school facilities and renovating existing facilities.

Non-major governmental funds are as follows:

> <u>Special Reserve</u>
> This fund is used to account for the proceeds of certain specific revenue sources that are legally restricted to expenditures for specified purposes. Included in this category are the transactions for the special reserve fund.
>
> <u>Food Service</u>
> This fund is used to account for the proceeds of specific revenue sources that are assigned to expenditures for providing breakfast and lunch service to students and staff of the District.

***Measurement Focus and Basis of Accounting***

**Measurement Focus:**

*Government-wide Financial Statements:*

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

*Fund Financial Statements:*

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

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

**Basis of Accounting:**

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

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

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

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

**Revenues-Exchange and Non-Exchange Transactions:**

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

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

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

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

**Unearned and Unavailable Revenues:**

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

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

**Expenses and Expenditures:**

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

**Budgets and Budgetary Accounting:**

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

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

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

2. The Board reviews the budget, may make revisions, and adopts the final budget on or before August 15 of each year. The budget is then filed with the county auditor by August 25 of each year.

3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10 of each year. The budget amounts shown in the financial statements are the final authorized amounts.

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

**Fair Value Measurements:**

The Organization accounts for all assets and liabilities that are being measured and reported on a fair value basis in accordance with GAAP. GAAP defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements.

When fair value measurements are required, various data is used in determining those values. This statement requires that assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

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

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

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

**Cash and Cash Equivalents:**

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

**Investments:**

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

**Capital Assets:**

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

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

| | |
|---|---|
| Buildings | 25 to 50 Years |
| Equipment | 5 to 20 Years |

**Compensated Absences:**

Certified employees who have been employed by the District for a minimum of 9 years are eligible for sick leave pay for a maximum of 89 days at $20 per day with a maximum payout of $1,780. As of June 30, 2022, there are 10 certified employees eligible for sick leave pay. A corresponding liability, which includes applicable payroll taxes, has been set up as a long-term liability.

**Accounts Payable, Accrued Liabilities and Long-term Obligations:**

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

**Pensions:**

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

**Fund Balance Classifications:**

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:

*Nonspendable* - consists of amounts that are not in spendable form, such as inventory and prepaid items.

*Restricted* – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions and administered by the North Dakota Department of Public Inspection.

*Committed* – consists of internally imposed constraints. These constraints are established by Resolution of the Board of Education.

*Assigned* – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the District's intended use. These constraints are established by the Board of Education and/or management.

*Unassigned* – is the residual classification for the General Fund and also reflects negative residual amounts in other funds.

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

When committed, assigned or unassigned resources are available for use, the District's preference is to use resources in the following order: 1) committed, 2) assigned and 3) unassigned.

**Deferred Outflows/Inflows of Resources:**

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

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

**Net Position:**

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

**Inter-fund Activity:**

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

**Estimates:**

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

**Revenue Recognition – Property Taxes:**

Taxes receivable consist of current and delinquent uncollected taxes at June 30, 2022.

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

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

**Significant Group Concentrations of Credit Risk:**

As of June 30, 2022, the District’s receivables consist of amounts due from other governmental units within the State of North Dakota.

**NOTE 3 CASH AND INVESTMENTS**

**Custodial Credit Risk - Deposits**

In accordance with North Dakota laws, the District maintains deposits at a depository authorized by the School Board. The depository is a member of the Federal Reserve System. North Dakota laws require that all public deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal at least 110 percent of the deposits not covered by insurance or bonds.

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

At June 30, 2022, the carrying amount of the District's deposits was $1,655,349 and the bank balance was $1,793,082. The bank balance was covered by Federal Depository Insurance and by collateral held by the District’s agent in the District’s name in amounts sufficient to meet North Dakota legal requirements.

**Credit Risk**

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

a) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the Unites States, or its agencies, instrumentalities, or organizations created by an act of Congress.

b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.

c) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation or the state.

d) Obligations of the state.

**Interest Rate Risk**

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

**Concentration of Credit Risk**

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

**NOTE 4 CAPITAL ASSETS**

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

| | Balance July 1, 2021 | Additions | Disposals | Transfers | Balance June 30, 2022 |
|---|---|---|---|---|---|
| **Governmental Activities** | | | | | |
| Capital Assets Not Being Depreciated | | | | | |
| Land | $ 95,243 | $ - | $ - | $ - | $ 95,243 |
| Total Capital Assets Not Being Depreciated | 95,243 | - | - | - | 95,243 |
| Capital Assets Being Depreciated | | | | | |
| Buildings | 3,639,233 | 22,514 | - | - | 3,661,747 |
| Equipment | 1,577,757 | 87,112 | - | - | 1,664,869 |
| Total Capital Assets Being Depreciated | 5,216,990 | 109,626 | - | - | 5,326,616 |
| Less Accumulated Depreciation | | | | | |
| Buildings | 1,852,745 | 86,288 | - | - | 1,939,033 |
| Equipment | 1,104,378 | 66,606 | - | - | 1,170,984 |
| Total Accumulated Depreciation | 2,957,123 | 152,894 | - | - | 3,110,017 |
| Net Capital Assets Being Depreciated | 2,259,867 | (43,268) | - | - | 2,216,599 |
| Net Capital Assets for Governmental Activities | $ 2,355,110 | $ (43,268) | $ - | $ - | $ 2,311,842 |

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

| | |
|---|---|
| Regular Instruction | $ 128,177 |
| Operations and Maintenance | 3,810 |
| Transportation | 20,907 |
| | $ 152,894 |

**NOTE 5 LONG-TERM LIABILITIES**

The long-term liabilities at year-end and changes in long-term liabilities are summarized as follows:

| Title | Balance July 1, 2021 | Additions | Reductions | Balance June 30, 2022 | Due within One Year |
|---|---|---|---|---|---|
| Compensated Absences | $ 9,576 | $ 740 | $ - | $ 10,316 | $ - |
| Early Retirement Payable | 51,680 | 48,046 | 17,227 | 82,499 | - |
| Net Pension Liability | 2,858,948 | 737,576 | 1,647,954 | 1,948,570 | - |
| Total | $ 2,920,204 | $ 786,362 | $ 1,665,181 | $ 2,041,385 | $ - |

Compensated absences, early retirement payable and the net pension liability are generally liquidated by the general fund.

At June 30, 2022, rental commitments under operating leases were not significant.

**A. Severance Payable:**

The District has adopted the following policy:

1. Requirements

   a. By August 15th of the year of retirement, the full-time, contracted employee must attain the "rule of 85" for the Teachers' Fund for Retirement of North Dakota.

   b. The buyout must be taken during the first three years, when it is most beneficial to the District.

   c. The employee must be in the District for a minimum of ten years.

   d. The employee application must be submitted by February 28th of any given school year. The Board of Education has until May 1st to approve. Employee knowingly forfeits all rights to all benefits at the conclusion of the fiscal year.

   e. The Board of Education has the right to deny any application. The decision shall not be arbitrary or capricious. The Board of Education can approve a modified buyout if multiple candidates apply.

   f. The final contract amount is the current annual salary a person receives in the District's salary schedule considering years of experience and level of education (no other duties included).

2. Early Retirement Payment

   a. Early retirement payment as provided in the policy will be paid, at the employees choosing, in either two or three equal payments distributed proportionally over a two-year or three-year period beginning the year after the effective date of retirement.

b. The early retirement payment provided for in this policy is based on a proportion of the staff member's current annual salary at the time the application is made. The current annual salary is the contract amount a person receives on the District's salary schedule considering years of experience and level of education. The current annual salary used in making early retirement payment calculations shall not include amounts paid for extra duty assignments and/or summer employment.

c. The amount of early retirement incentive shall be calculated using this formula:

| | | | | |
|---|---|---|---|---|
| ___% X | $___ = | $____X | ____% = | $___ |
| Years Service District(*1) | Salary Schedule Amount | Incentive Amount | Reduction Factor Schedule(*2) | Buyout Amount Employee Receives |

(*1) The percentage granted for years of service in the District will be as follows: 70% for 10-14 years of service; 80% for 15-19 years of service; 90% for 20-24 years of service; 95% for 25-29 years of service and 100% for 30 or more years of service.

(*2) Year of Eligibility is defined as the year when the employee meets the rule of 85 for the Teachers Fund For Retirement. If the employee applies for the Early Retirement after his/her first year of eligibility, the employee will receive a reduced incentive amount, as determined by the following schedule:

| Year of Retirement | Reduction Factor |
|---|---|
| Year of Eligibility | 85% of Incentive |
| Year of Eligibility + 1 | 75% of Incentive |
| Year of Eligibility + 2 | 60% of Incentive |

Following is a summary of the early retirement payable:

| Early Retirement Incentive | |
|---|---|
| 2021 | |
| Fiscal Year Payable | |
| 2023 | $ 17,227 |
| 2024 | 17,226 |
| 2022 | |
| Fiscal Year Payable | |
| 2023 | 16,015 |
| 2024 | 16,015 |
| 2025 | 16,016 |
| Total | $ 82,499 |

**NOTE 6 FUND BALANCES**

**A. Classifications**

At June 30, 2022, a summary of the governmental fund balance classifications are as follows:

| | General Fund | Special Reserve | Capital Projects | Food Service | Total |
|---|---|---|---|---|---|
| Restricted for: | | | | | |
| Capital Projects | $ - | $ - | $ 308,440 | $ - | $ 308,440 |
| Student Activities | 70,753 | - | - | - | 70,753 |
| Special Reserve | - | 139,036 | - | - | 139,036 |
| Assigned to: | | | | | |
| Food Service | - | - | - | 86,725 | 86,725 |
| Early Retirement | 82,499 | - | - | - | 82,499 |
| Unassigned: | 974,925 | - | - | - | 974,925 |
| Total | $ 1,128,177 | $ 139,036 | $ 308,440 | $ 86,725 | $ 1,662,378 |

Restricted fund balances reflect resources restricted for statutorily defined purposes.

**B. Minimum Fund Balance Policy**

The Board of Education has not formally adopted a fund balance policy for the General Fund. However, the Board tries to maintain a year-end target fund balance of approximately 25% for cash flow timing needs (working capital) and contingencies.

**NOTE 7 DEFINED BENEFIT PENSION PLANS - STATEWIDE**

Substantially all certified employees of the District are required by state law to belong to pension plans administered by Teacher’s Fund for Retirement (TFFR) which is administered on a statewide basis.

Disclosures relating to these plans follow:

***North Dakota Teachers’ Fund for Retirement***

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

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

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

**Pension Benefits**

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

*Tier 1 Grandfathered*

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

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

*Tier 1 Non-grandfathered*

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

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

*Tier 2*

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

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

**Death and Disability Benefits**

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

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

**Member and Employer Contributions**

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

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

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

At June 30, 2022, the District reported a liability of $1,948,570 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2021, the Employer's proportion was 0.184934 percent which was a decrease of 0.001864 from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Employer recognized pension expense of $26,121. At June 30, 2022, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $ 13,538 | $ 82,176 |
| Changes in actuarial assumptions | 68,443 | - |
| Difference between projected and actual investment earnings | - | 570,959 |
| Changes in proportion | 12,986 | 83,870 |
| Contributions paid to TFFR subsequent to the measurement date | 175,188 | - |
| Total | $ 270,155 | $ 737,005 |

$175,188 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

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

| Year ending June 30: | Pension Expense Amount | |
|---|---|---|
| 2023 | $ | (165,455) |
| 2024 | | (133,317) |
| 2025 | | (150,385) |
| 2026 | | (189,700) |
| 2027 | | (420) |
| Thereafter | | (2,761) |

**Actuarial Assumptions**

The total pension liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.30% |
| Salary increases | 3.80% to 14.80%, varying by service, including inflation and productivity |
| Investment rate of return | 7.25%, net of investment expenses, including inflation |
| 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, 2021, 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:

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 TFFR 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 TFFR target asset allocation as of June 30, 2021 is summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Global Equities | 55.00% | 6.87% |
| Global Fixed Income | 26.00% | 0.74% |
| Global Real Assets | 18.00% | 4.80% |
| Cash Equivalents | 1.00% | -1.00% |

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25 percent as of June 30, 2021. 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, 2021, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, TFFR's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of July 1, 2021. Therefore, the long-term expected rate of return on TFFR investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

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

The following presents the net pension liability of the TFFR employers calculated using the discount rate of 7.25% as of June 30, 2021, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25% percent) or 1-percentage-point higher (8.25% percent) than the current rate:

| | 1% Decrease in Discount Rate 6.25% | Discount Rate 7.25% | 1% Increase in Discount Rate 8.25% |
|---|---|---|---|
| Employer's proportionate share of the net pension liability: | $ 2,925,850 | $ 1,948,570 | $ 1,137,038 |

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report. TFFR's Comprehensive Annual Financial Report (CAFR) is located at https://www.rio.nd.gov/sites/www/files/documents/PDFs/RIO/Reports/annualreport2021.pdf.

**NOTE 8 RISK MANAGEMENT**

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

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

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

The District carries commercial insurance for workers' compensation, employees' health, boiler and machinery, and accident insurance.

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

### NOTE 9 CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

### NOTE 10 NON-MONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its hot lunch program. The market value of commodities received for the year ended June 30, 2022 was $9,257.

### NOTE 11 TRANSFERS

The District transferred $17,227 from the special reserve fund to the general fund during the year ended June 30, 2022 to fund an early retirement payment.

### NOTE 12 NEW PRONOUNCEMENTS

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

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

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

GASB Statement No. 99, *Omnibus 2022,* provides guidance on the following accounting matters:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statement.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62,* provides guidance on accounting and financial reporting requirements for accounting changes and error corrections. Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences,* provides guidance on the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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

## NOTE 13 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through September 2, 2022, which is the date these financial statements were available to be issued.

**CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3**
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

| | Budgeted Amounts | | | |
|---|---|---|---|---|
| | Original | Final | Actual | Over (Under) Final Budget |
| REVENUES | | | | |
| Local Property Tax Levies | $ 1,031,363 | $ 1,031,363 | $ 979,988 | $ (51,375) |
| Other Local & County Revenues | 97,800 | 97,800 | 140,107 | 42,307 |
| Revenue from State Sources | 1,766,713 | 1,766,713 | 1,756,387 | (10,326) |
| Revenue from Federal Sources | 240,792 | 240,792 | 229,640 | (11,152) |
| Interest | 10,000 | 10,000 | 8,007 | (1,993) |
| TOTAL REVENUES | 3,146,668 | 3,146,668 | 3,114,129 | (32,539) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Business Support Services | 101,894 | 101,894 | 118,737 | 16,843 |
| Instructional Support Services | 3,600 | 3,600 | 2,953 | (647) |
| Administration | 438,801 | 438,801 | 431,197 | (7,604) |
| Operations and Maintenance | 357,618 | 357,618 | 242,335 | (115,283) |
| Transportation | 162,506 | 162,506 | 159,438 | (3,068) |
| Regular Instruction | 1,548,240 | 1,548,240 | 1,590,959 | 42,719 |
| Special Education | 319,161 | 319,161 | 289,614 | (29,547) |
| Vocational Education | 47,259 | 47,259 | 46,945 | (314) |
| Extra - Curricular Activities | 191,496 | 191,496 | 191,607 | 111 |
| Capital Outlay: | | | | |
| Capital Outlay | 44,651 | 44,651 | 109,626 | 64,975 |
| TOTAL EXPENDITURES | 3,215,226 | 3,215,226 | 3,183,411 | (31,815) |
| Excess (Deficiency) of Revenues Over Expenditures | (68,558) | (68,558) | (69,282) | (724) |
| OTHER FINANCING SOURCES | | | | |
| Transfers In | - | - | 17,227 | 17,227 |
| TOTAL OTHER FINANCING SOURCES | - | - | 17,227 | 17,227 |
| Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses | (68,558) | (68,558) | (52,055) | 16,503 |
| Fund Balances - Beginning | 1,180,232 | 1,180,232 | 1,180,232 | - |
| Fund Balances - Ending | $ 1,111,674 | $ 1,111,674 | $ 1,128,177 | $ 16,503 |

See Note to the Budgetary Comparison Schedule

**CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3**
NOTE TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2022

**NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING**

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

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

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

2. The Board reviews the budget, may make revisions, and adopts the final budget on or before August 15th of each year. The budget is then filed with the county auditor by August 25th of each year.

3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10th of each year. The budget amounts shown in the financial statements are the final authorized amounts.

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

# CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE TFFR PENSION PLAN &
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
PRESENTED LAST TEN YEARS (PRESENTED PROSPECTIVELY)

**Teachers Fund for Retirement**

| For the Fiscal Year Ended June 30 | Statutorily Required Contribution | Contributions in Relation to the Statutorily Required Contributions | Contribution Deficiency (Excess) | District's Covered-Employee Payroll | Contributions as a Percentage of Covered-Employee Payroll |
|---|---|---|---|---|---|
| 2022 | $ 175,188 | $ 175,188 | - | $ 1,374,026 | 12.75% |
| 2021 | 181,724 | 181,724 | - | 1,425,288 | 12.75% |
| 2020 | 173,781 | 173,781 | - | 1,362,991 | 12.75% |
| 2019 | 170,426 | 170,426 | - | 1,336,672 | 12.75% |
| 2018 | 165,332 | 165,332 | - | 1,296,725 | 12.75% |
| 2017 | 162,097 | 162,097 | - | 1,271,348 | 12.75% |
| 2016 | 156,970 | 156,970 | - | 1,231,138 | 12.75% |
| 2015 | 157,498 | 157,498 | - | 1,235,280 | 12.75% |

| For the Fiscal Year Ended June 30 | District's Proportion of the Net Pension Liability (Asset) | District's Proportionate Share of the Net Pension Liability (Asset) (a) | District's Covered-Employee Payroll | Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|
| 2022 | 0.18493% | $ 1,948,570 | $ 1,425,288 | 136.71% | 75.70% |
| 2021 | 0.18680% | 2,858,948 | 1,362,991 | 209.76% | 63.40% |
| 2020 | 0.19054% | 2,624,178 | 1,336,672 | 196.32% | 65.50% |
| 2019 | 0.19075% | 2,542,405 | 1,296,725 | 196.06% | 65.50% |
| 2018 | 0.18836% | 2,587,116 | 1,271,348 | 203.49% | 63.20% |
| 2017 | 0.18949% | 2,776,081 | 1,231,138 | 225.49% | 59.20% |
| 2016 | 0.20082% | 2,626,487 | 1,235,280 | 212.62% | 62.10% |
| 2015 | 0.20920% | 2,192,160 | 1,213,536 | 180.64% | 66.60% |

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

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

See Note to the Required Supplementary Information

## NOTE 1 CHANGES OF ASSUMPTIONS

### TFFR

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

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

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

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

**CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3**
BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022

| | Special Reserve | Food Service | Total Non-Major Gov't Funds |
|---|---|---|---|
| ASSETS | | | |
| Cash and Investments | $ 139,008 | $ 86,781 | $ 225,789 |
| Property Taxes Receivable | 172 | - | 172 |
| TOTAL ASSETS | $ 139,180 | $ 86,781 | $ 225,961 |
| LIABILITIES | | | |
| Salaries and Wages Payable | $ - | $ 56 | $ 56 |
| TOTAL LIABILITIES | - | 56 | 56 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable Revenue - Delinquent Taxes | 144 | - | 144 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 144 | - | 144 |
| FUND BALANCES | | | |
| Restricted | 139,036 | - | 139,036 |
| Assigned | - | 86,725 | 86,725 |
| TOTAL FUND BALANCES | 139,036 | 86,725 | 225,761 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | $ 139,180 | $ 86,781 | $ 225,961 |

**CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3**
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

| | Special Reserve | Food Service | Total Non-Major Governmental Funds |
|---|---|---|---|
| REVENUES | | | |
| Local Property Tax Levies | $ 905 | $ - | $ 905 |
| Other Local & County Revenues | - | 17,504 | 17,504 |
| Revenue From State Sources | - | 378 | 378 |
| Revenue From Federal Sources | - | 174,881 | 174,881 |
| TOTAL REVENUES | 905 | 192,763 | 193,668 |
| EXPENDITURES | | | |
| Current: | | | |
| Food Services | - | 168,009 | 168,009 |
| TOTAL EXPENDITURES | - | 168,009 | 168,009 |
| Excess (Deficiency) of Revenues over Expenditures | 905 | 24,754 | 25,659 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers Out | (17,227) | - | (17,227) |
| TOTAL OTHER FINANCING SOURCES (USES) | (17,227) | - | (17,227) |
| Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses | (16,322) | 24,754 | 8,432 |
| Fund Balance - Beginning of Year | 155,358 | 61,971 | 217,329 |
| Fund Balance - End of Year | $ 139,036 | $ 86,725 | $ 225,761 |

BradyMartz

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

To the Board of Education
Central Valley Public School District No. 3
Buxton, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the 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 Central Valley Public School District No. 3 as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 2, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Central Valley Public School District No. 3's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses, as items 2022-001 and 2022-002 that we consider to be significant deficiencies.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Central Valley Public School District No. 3'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

**The District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

**Purpose of This Report**

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

Brady Martz

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

September 2, 2022

**Finding 2022-001**

**Criteria**
An appropriate system of internal controls maintains proper segregation of duties to provide reasonable assurance that transactions are handled appropriately.

**Condition**
The School District has one employee responsible for most accounting functions. The business manager collects monies, issue checks, sends checks to vendors, records receipts and disbursements in journals, maintains the general ledger, and prepares financial reports.

**Cause**
There is one employee for multiple functions such as executing and recording transactions.

**Effect**
Lack of segregation of duties leads to a limited degree of internal control.

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

**Management's Response**
Some procedures to promote segregation of duties have been implemented. Funds are counted by other individuals prior to being given to the Business Manager to receipt and deposit at the various financial institutions.

The Superintendent reviews monthly files of receipt, journal entries and account transfers.

The Superintendent, Building & Grounds Supervisor, Principal and Athletic Director review monthly bills before payments are made.

The Board of Education reviews and approves all checks written.

The District will segregate other duties when feasible.

**Finding 2022-002**

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

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

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

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

**Recommendation**
We recommend the District consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control the District should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

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