**DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1**
**DUNSEITH, NORTH DAKOTA**

AUDITED BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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**DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1**
ROSTER OF SCHOOL OFFICIALS
JUNE 30, 2022

| | |
|---|---|
| Lori Davis | President |
| Clarence Counts | Vice President |
| Francis Amyotte | Board Member |
| Frank Gladue | Board Member |
| Gaillord Peltier | Board Member |
| Christopher Strong | Board Member |
| Roger Counts | Board Member |
| David Sjol | Superintendent |
| Evan Peltier | Business Manager |

BradyMartz

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Education
Dunseith Public School District No. 1
Dunseith, North Dakota

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

***Qualified and Unmodified Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dunseith Public School District No. 1, 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.

*Qualified Opinion on the Food Service Fund*

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the Food Service fund of the Dunseith Public School District No. 1, as of June 30, 2022, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Unmodified Opinions on Governmental Activities, General Fund, and Aggregate Remaining Fund Information*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, general fund, and the aggregate remaining fund information of the Dunseith Public School District No. 1, as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Qualified and Unmodified 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 the District, and to meet our 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 qualified and modified audit opinions.

*Matter Giving Rise to the Qualified Opinion on the Food Service Fund*

It was noted that District had inadequate records to support meals served that generate revenues during the year. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary for the amounts included in the statement of financial position and changes in financial position for the Food Service Fund.

***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 Responsibility 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 judgement 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 judgement 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 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 judgement, 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 a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule, schedule of District's contributions to the TFFR and NDPERS pension plans, schedule of District's contributions to the NDPERS OPEB plan, schedule of District's proportionate share of net pension liability, and schedule of District's proportionate share of net OPEB liability as listed in the table of contents be presented to supplement the basic financial statements. Such information 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.

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

***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 schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects of the matter described in the basis for qualified opinion section of the report, the schedule of expenditures of federal awards is 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 roster of school officials on page 1 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 July 19, 2024 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**

July 19, 2024

**DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1**
STATEMENT OF NET POSITION
JUNE 30, 2022

| | |
|---|---|
| ASSETS | |
| Current Assets: | |
| Cash and Cash Equivalents | $ 4,247,130 |
| Property Taxes Receivable (Net) | 41,455 |
| Due From Other Governments | 3,667,134 |
| Total Current Assets | 7,955,719 |
| Non-Current Assets: | |
| Capital Assets | |
| Land Improvements | 7,000 |
| Buildings | 8,939,485 |
| Equipment | 595,067 |
| Vehicles | 1,696,843 |
| Construction in Progress | 682,116 |
| Less Accumulated Depreciation | (5,976,719) |
| Total Non-Current Assets | 5,943,792 |
| TOTAL ASSETS | 13,899,511 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Cost Sharing Defined Benefit Pension Plan - TFFR | 1,050,653 |
| Cost Sharing Defined Benefit Pension Plan - NDPERS | 2,340,258 |
| Cost Sharing Defined Benefit OPEB Plan - NDPERS | 41,686 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 3,432,597 |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts Payable | 1,942 |
| Accrued Liabilities | 8,619 |
| Unearned Revenue | 237,510 |
| Total Current Liabilities | 248,071 |
| Long-Term Liabilities: | |
| Bonds and Notes Payable (Net of Current Portion) | 705,000 |
| Compensated Absences | 317,913 |
| Net Pension Liability | 6,825,939 |
| Net OPEB Liability | 79,987 |
| Total Non-Current Liabilities | 7,928,839 |
| TOTAL LIABILITIES | 8,176,910 |
| DEFERRED INFLOWS OF RESOURCES | |
| Cost Sharing Defined Benefit Pension Plan - TFFR | 1,775,145 |
| Cost Sharing Defined Benefit Pension Plan - NDPERS | 3,400,003 |
| Cost Sharing Defined Benefit OPEB Plan - NDPERS | 38,970 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 5,214,118 |
| NET POSITION | |
| Net Investment in Capital Assets | 5,238,792 |
| Restricted for Special Reserve | 57,460 |
| Restricted for Capital Projects | 792,565 |
| Restricted for Student Activities | 66,838 |
| Unrestricted | (2,214,575) |
| TOTAL NET POSITION | $ 3,941,080 |

See Notes to the Basic Financial Statements

**DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1**
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position |
|---|---|---|---|---|---|
| GOVERNMENTAL ACTIVITIES | | | | | |
| Business Support Services | $ 262,984 | $ - | $ - | $ - | $ (262,984) |
| Instructional Support Services | 255,299 | - | - | - | (255,299) |
| Administration | 1,094,718 | - | - | - | (1,094,718) |
| Operations and Maintenance | 1,503,501 | - | - | - | (1,503,501) |
| Transportation | 357,713 | - | 249,642 | - | (108,071) |
| Regular Instruction | 9,556,774 | 258,324 | 6,792,401 | 682,116 | (1,823,933) |
| Special Education | 526,911 | - | 102,658 | - | (424,253) |
| Vocational Education | 197,765 | - | - | - | (197,765) |
| Extra-Curricular Activities | 467,372 | - | - | - | (467,372) |
| Food Services | 853,582 | 181 | 522,221 | - | (331,180) |
| Interest and Fees on Long-Term Debt | 13,488 | - | - | - | (13,488) |
| TOTAL GOVERNMENTAL ACTIVITIES | $ 15,090,107 | $ 258,505 | $ 7,666,922 | $ 682,116 | (6,482,564) |
| GENERAL REVENUES | | | | | |
| Property Taxes, Levied for General Purposes | | | | | 277,462 |
| Property Taxes, Levied for Capital Projects | | | | | 30,943 |
| Aids and Payments from the State | | | | | 7,259,222 |
| Unrestricted Investment Earnings | | | | | 674 |
| TOTAL GENERAL REVENUES | | | | | 7,568,301 |
| Change in Net Position | | | | | 1,085,737 |
| Net Position - Beginning | | | | | 2,855,343 |
| Net Position - Ending | | | | | $ 3,941,080 |

See Notes to the Basic Financial Statements

# DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
## BALANCE SHEET – GOVERNMENTAL FUNDS
## JUNE 30, 2022

| | | | Non-Major | | |
|---|---|---|---|---|---|
| | General Fund | Food Service Fund | Special Reserve Fund | Building Fund | Total Governmental Funds |
| ASSETS | | | | | |
| Cash and Cash Equivalents | $ 3,405,431 | $ - | $ 55,539 | $ 786,160 | $ 4,247,130 |
| Property Taxes Receivable (Net) | 35,717 | - | 1,324 | 4,414 | 41,455 |
| Due From Other Funds | 746,367 | - | 597 | 1,991 | 748,955 |
| Due From Other Governments | 3,593,359 | 73,775 | - | - | 3,667,134 |
| TOTAL ASSETS | $ 7,780,874 | $ 73,775 | $ 57,460 | $ 792,565 | $ 8,704,674 |
| LIABILITIES | | | | | |
| Accounts Payable | $ 1,942 | $ - | $ - | $ - | $ 1,942 |
| Due to Other Funds | 675,180 | 73,775 | - | - | 748,955 |
| Accrued Liabilities | 8,619 | - | - | - | 8,619 |
| Unearned Revenue | 237,510 | - | - | - | 237,510 |
| TOTAL LIABILITIES | 923,251 | 73,775 | - | - | 997,026 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable Revenue - Uncollected Taxes | 26,199 | - | 1,041 | 3,469 | 30,709 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 26,199 | - | 1,041 | 3,469 | 30,709 |
| FUND BALANCES | | | | | |
| Restricted for Special Reserve | - | - | 56,419 | - | 56,419 |
| Restricted for Capital Projects | - | - | - | 789,096 | 789,096 |
| Restricted for Student Activities | 66,838 | - | - | - | 66,838 |
| Unassigned | 6,764,586 | - | - | - | 6,764,586 |
| TOTAL FUND BALANCES | 6,831,424 | - | 56,419 | 789,096 | 7,676,939 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | $ 7,780,874 | $ 73,775 | $ 57,460 | $ 792,565 | $ 8,704,674 |

See Notes to the Basic Financial Statements

**DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1**
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
JUNE 30, 2022

| | | |
|---|---|---|
| Total fund balances - governmental funds | | $ 7,676,939 |
| 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 | $ 11,920,511 | |
| Less: accumulated depreciation | (5,976,719) | |
| Net | | 5,943,792 |
| Net deferred outflows/(inflows) of resources relating to the cost sharing 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. | | (1,781,521) |
| 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. | | 30,709 |
| Long-term liabilities are not due and payable in the current period and therefore are not recorded as liabilities in the governmental funds. | | |
| Notes Payable | | (705,000) |
| Compensated Absences | | (317,913) |
| Net Pension Liability | | (6,825,939) |
| Net OPEB Liability | | (79,987) |
| Net Position - Governmental Activities | | $ 3,941,080 |

See Notes to the Basic Financial Statements

**DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1**
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

| | General Fund | Food Service Fund | Non-Major Special Reserve Fund | Non-Major Building Fund | Total Governmental Funds |
|---|---|---|---|---|---|
| REVENUES | | | | | |
| Local Property Tax Levies | $ 268,594 | $ - | $ 9,243 | $ 30,811 | $ 308,648 |
| Other Local and County Revenues | 258,324 | 181 | - | - | 258,505 |
| Revenue from State Sources | 7,611,522 | 1,252 | - | - | 7,612,774 |
| Revenue from Federal Sources | 7,474,517 | 520,969 | - | - | 7,995,486 |
| Interest | 664 | 4 | 6 | - | 674 |
| TOTAL REVENUES | 15,613,621 | 522,406 | 9,249 | 30,811 | 16,176,087 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Business Support Services | 262,984 | - | - | - | 262,984 |
| Instructional Support Services | 255,299 | - | - | - | 255,299 |
| Administration | 1,094,718 | - | - | - | 1,094,718 |
| Operations and Maintenance | 1,191,532 | - | - | 311,969 | 1,503,501 |
| Transportation | 262,588 | - | - | - | 262,588 |
| Regular Instruction | 9,411,887 | - | - | - | 9,411,887 |
| Special Education | 526,911 | - | - | - | 526,911 |
| Vocational Education | 197,765 | - | - | - | 197,765 |
| Extra-Curricular Activities | 454,491 | - | - | - | 454,491 |
| Food Services | 1,000 | 852,582 | - | - | 853,582 |
| Capital Outlay | 1,112,939 | - | - | 10,971 | 1,123,910 |
| Debt Service: | | | | | |
| Principal Retirement | 55,000 | - | - | - | 55,000 |
| Interest and Fiscal Charges on Long-Term Debt | 13,488 | - | - | - | 13,488 |
| TOTAL EXPENDITURES | 14,840,602 | 852,582 | - | 322,940 | 16,016,124 |
| Excess (Deficiency) of Revenues over Expenditures | 773,019 | (330,176) | 9,249 | (292,129) | 159,963 |
| OTHER FINANCING SOURCES | | | | | |
| Transfers Out | (665,347) | - | (21,778) | - | (687,125) |
| Transfers In | 21,778 | 665,347 | - | - | 687,125 |
| TOTAL OTHER FINANCING SOURCES (USES) | (643,569) | 665,347 | (21,778) | - | - |
| Net Change in Fund Balances | 129,450 | 335,171 | (12,529) | (292,129) | 159,963 |
| Fund Balance - Beginning of Year | 6,701,974 | (335,171) | 68,948 | 1,081,225 | 7,516,976 |
| Fund Balance - End of Year | $ 6,831,424 | $ - | $ 56,419 | $ 789,096 | $ 7,676,939 |

See Notes to the Basic Financial Statements

**DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1**
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGED IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

| | | | |
|---|---|---|---|
| Total net change in fund balances - Governmental Funds | | $ | 159,963 |
| 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 | $ 1,123,910 | | |
| Depreciation Expense | (286,328) | | |
| Excess of capital outlay over depreciation expense | | | 837,582 |
| Some revenues will not be collected for several months after the District's fiscal year end. These revenues are considered "available" revenues in the government funds. These revenues consist of: | | | |
| Net change in unavailable property taxes | | | (243) |
| Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position. | | | 55,000 |
| 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. These items consisted of the (increase)/decrease in: | | | |
| Compensated Absences | | | (5,026) |
| Changes in deferred outflows and inflows of resources related to net pension liability | | | (5,069,366) |
| Change in net pension liability | | | 5,072,733 |
| Change in net OPEB liability | | | 35,094 |
| Change in net position - Governmental Activities | | $ | 1,085,737 |

See Notes to the Basic Financial Statements

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

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

Reporting Entity - Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of an organization's governing body and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources. Component units may also include organizations that are fiscally dependent on the District. Fiscal dependence can include the District's approval of the budget, issuance of debt, and/or levying of taxes for the organization. The school district has the following component unit as defined in GASB Statement No. 61 which should be included in the reporting entity.

Dunseith Public School Building Authority – The Building Authority was created by the school board as a legally separate entity. Its purpose is to promote the educational system of the District by providing financing for use by the school in altering, repairing, maintaining or constructing buildings and making improvements connected to school buildings. The school board is the governing board of the building authority. The fund is reported as a blended component unit.

## 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 and 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.

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

**Fund Financial Statements:**

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

***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:

**General Fund:**
This fund is the general operating fund of the District and includes student activity programs. It accounts for all financial resources except those requiring to be accounted for in another fund.

**Food Service Fund:**
This fund is used to record financial transactions related to food service operations. This fund is financed by user charges and grants.

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

**Special Reserve Fund:**
A fund established to hold reserve funds.

**Building Fund:**
The Building Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for acquiring school sites, constructing and equipping new school facilities and renovating existing facilities. The special assessment fund is included in this category.

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

**Measurement Focus:**

*Government-wide Financial Statements:*

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

*Fund Financial Statements:*

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

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

**Basis of Accounting:**

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

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

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

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

**Expenses and Expenditures:**

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

**Budgets and Budgetary Accounting:**

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

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 at the September board meeting to ensure it is adopted before the fifteenth of October each year. The budget is then filed with the county auditor by October tenth 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 fifteenth 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.

The General fund expenditures were $3,882,087 under budget at June 30, 2022.

**Cash and Cash Equivalents:**

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

**Investments:**

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

**Fair Value Measurements:**

The Organization accounts for all assets and liabilities that are being measured and reported on a fair value basis in accordance with GAAP. GAAP defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements. When fair value measurements are required, various data is used in determining those values. This statement requires that assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

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

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

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

**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 acquisition value 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 and Improvements | 50 Years |
| Equipment | 10 Years |
| Vehicles | 10 Years |

**Compensated Absences:**

Ancillary or certified staff who are 12-month employees are eligible for vacation leave. There is no maximum amount an individual can accumulate. Upon termination, all accumulative hours will be paid based on the individual's hourly rate. Ancillary staff receive $125 a day for sick leave for any days not used after 60 days have been accumulated.

Certified staff and teachers receive $18.75 per hour for sick leave for any of the days not used after they have accumulated 50 days. Upon termination, all accumulative days will be paid. Personal leave is on a "use it or lose it basis" and no personal leave is allowed to be carried over into the next year. Ancillary staff receive $125 day for personal leave not used at the end of the school year. Certified staff and teachers receive $18.75 per hour for personal leave not used at the end of the school year.

**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. The debt proceeds are reported as other financing sources and payment of principal and interest as expenditures.

**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 North Dakota Teacher's 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.

**Other Post-Employment Benefits (OPEB):**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Fund Balance Classifications:**

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

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

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

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

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

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

**Fund Balance Policy:**

The school district's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries. First nonspendable amounts are determined. Then restricted balances for specific purposes are determined. Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balances if the fund is in a deficit.

**Deferred Outflows/Inflows of Resources:**

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

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

**Net Position:**

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

**Inter-fund Activity:**

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

**Extraordinary and Special Items:**

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

**Estimates:**

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

**Revenue Recognition - Property Taxes:**

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

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

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 $4,247,130 and the bank balance was $4,972,241. The entire bank balance was covered by Federal Depository Insurance or by collateral held by the District's Agent in the District's name in amounts sufficient to meet North Dakota legal requirements.

**Interest Rate Risk**

In accordance with its formal investment policy, the District invests its operating funds primarily in short term certificates of deposit and limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Concentration of Credit Risk**

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

**Custodial Credit Risk - Investments**

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

## NOTE 4 CAPITAL ASSETS

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

| | Balance 7/1/2021 | Additions | Disposals | Balance 6/30/2022 |
|---|---|---|---|---|
| **Governmental Activities:** | | | | |
| Capital Assets Not Being Depreciated | | | | |
| Construction in Progress | $ - | $ 682,116 | $ - | $ 682,116 |
| Total | - | 682,116 | - | 682,116 |
| Capital Assets Being Depreciated | | | | |
| Land Improvements | 7,000 | - | - | 7,000 |
| Buildings | 8,769,018 | 170,467 | - | 8,939,485 |
| Equipment | 575,057 | 20,010 | - | 595,067 |
| Vehicles | 1,445,526 | 251,317 | - | 1,696,843 |
| Total | 10,796,601 | 441,794 | - | 11,238,395 |
| Less Accumulated Depreciation | | | | |
| Land Improvements | 432 | 140 | - | 572 |
| Buildings | 4,526,340 | 150,449 | - | 4,676,789 |
| Equipment | 354,354 | 41,386 | - | 395,740 |
| Vehicles | 809,265 | 94,353 | - | 903,618 |
| Total | 5,690,391 | 286,328 | - | 5,976,719 |
| Net Capital Assets Being Depreciated | 5,106,210 | 155,466 | - | 5,261,676 |
| Net Capital Assets for Governmental Activities | $ 5,106,210 | $ 837,582 | $ - | $ 5,943,792 |

In the governmental activities section of the statement of activities, depreciation expense was charged and capital outlay related to additions to the following governmental functions:

| | Additions | Depreciation |
|---|---|---|
| Regular Instruction | $ 872,593 | $ 178,322 |
| Extra Curricular Activities | - | 12,881 |
| Transportation | 251,317 | 95,125 |
| Total | $ 1,123,910 | $ 286,328 |

## NOTE 5 LONG-TERM DEBT

The long-term debt obligations outstanding at year-end and changes in long-term debt are summarized as follows:

### Summary of Long-Term Debt

| | Balance 7/1/2021 | Additions | Retirements | Balance 6/30/2022 | Due in One Year |
|---|---|---|---|---|---|
| Series 2012 Bonds | $ 760,000 | $ - | $ (55,000) | $ 705,000 | $ - |
| Compensated Absences | 312,887 | 5,026 | - | 317,913 | - |
| Net Pension Liability | 11,898,672 | 3,454,719 | (8,527,452) | 6,825,939 | - |
| Net OPEB Liability | 115,081 | 36,854 | (71,948) | 79,987 | - |
| Total | $ 13,086,640 | $ 3,496,599 | $ (8,654,400) | $ 7,928,839 | $ - |

Interest expense was $13,488 for the year ended June 30, 2022.

Compensated absences, notes payable, OPEB, Finance Purchase, 2012 Bonds and net pension liabilities are generally liquidated by the District's general fund.

### Impact Aid Certificates of Indebtedness, Series 2012

$1,145,000 Impact Aid Certificates of Indebtedness, Series 2012 are due in annual installments of $30,000 to $75,000 plus interest through August 1, 2032; interest is .75% to 2.25%.

Annual debt service requirements to maturity for the note are as follows:

| | Impact Aid Certificate of Indebtedness, Series 2012 | | |
|---|---|---|---|
| Year | Principal | Interest | Total |
| 2023 | $ - | $ - | $ - |
| 2024 | 55,000 | 13,075 | 68,075 |
| 2025 | 55,000 | 12,250 | 67,250 |
| 2026 | 60,000 | 11,388 | 71,388 |
| 2027 | 60,000 | 10,488 | 70,488 |
| 2028-2032 | 330,000 | 34,102 | 364,102 |
| 2033-2034 | 145,000 | 3,319 | 148,319 |
| Total | $ 705,000 | $ 84,622 | $ 789,622 |

There are no payments due in fiscal year ending June 30, 2023 as the principal and interest payments due were paid during the fiscal year ended June 30, 2022.

## NOTE 6 FUND BALANCES

### A. CLASSIFICATIONS

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

| Restricted for: | General Fund | Food Service Fund | Special Reserve Fund | Building Fund | Total |
|---|---|---|---|---|---|
| Special Reserve | $ - | $ - | $ 56,419 | $ - | $ 56,419 |
| Capital Projects | - | - | - | 789,096 | 789,096 |
| Student Activities | 66,838 | - | - | - | 66,838 |
| Unassigned | 6,764,586 | - | - | - | 6,764,586 |
| | $ 6,831,424 | $ - | $ 56,419 | $ 789,096 | $ 7,676,939 |

Restricted fund balances reflect resources restricted for statutorily defined purposes.

## NOTE 7 DEFINED BENEFIT PENSION PLANS – STATEWIDE

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

Disclosures relating to these plans follow:

**North Dakota Teacher's Fund For Retirement**

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

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

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

***Pension Benefits***

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

*Tier 1 Grandfathered*

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

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

*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 $5,150,649 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 July 1, 2021, the Employer's proportion was 0.488836 percent, which was an increase of 0.0000568 from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Employer recognized pension expense of $302,832. 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 | $ 35,785 | $ 217,217 |
| Changes in actuarial assumptions | 180,915 | - |
| Difference between projected and actual investment earnings | - | 1,509,214 |
| Changes in proportion | 314,929 | 48,714 |
| Contributions paid to TFFR subsequent to the measurement date | 519,024 | - |
| Total | $ 1,050,653 | $ 1,775,145 |

$519,024 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 | $ (247,096) |
| 2024 | (259,605) |
| 2025 | (353,180) |
| 2026 | (462,763) |
| 2027 | 48,698 |
| Thereafter | 30,430 |

**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 |
| Cost-of-living adjustments | None |

For active and inactive members, mortality rates were based on the PubT-2010 Employee Table, projected generationally 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 disabled 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.

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% | 6.90% |
| Global Fixed Income | 26.00% | 0.70% |
| 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% 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, the 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 percent 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 6.25% | Current Discount Rate 7.25% | 1% Increase 8.25% |
|---|---|---|---|
| School's proportionate share of the TFFR net pension liability: | $ 7,733,891 | $ 5,150,649 | $ 3,005,529 |

**Pension Plan Fiduciary Net Position**

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

**North Dakota Public Employees' Retirement System**

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

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

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

**Pension Benefits**

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The annual pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020, the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

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

**Death and Disability Benefits**

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

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

**Refunds of Member Account Balance**

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

**Member and Employer Contributions**

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

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

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

**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 $1,675,290 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2021, the District's proportion was 0.160730 percent which was an increase of 0.0001757 from its proportion measured July 1, 2020.

For the year ended June 30, 2022, the District recognized pension expense of $337,435. At June 30, 2022, the District 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 | $ 28,923 | $ 170,986 |
| Changes in actuarial assumptions | 1,854,220 | 2,417,516 |
| Difference between projected and actual investment earnings | - | 621,338 |
| Changes in proportion | 302,331 | 190,163 |
| Contributions paid to NDPERS subsequent to the measurement date | 154,784 | - |
| Total | $ 2,340,258 | $ 3,400,003 |

$154,784 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 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 | $ (148,837) |
| 2024 | (281,864) |
| 2025 | (228,124) |
| 2026 | (555,704) |

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

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

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Domestic Equity | 30.00% | 6.00% |
| International Equity | 21.00% | 6.70% |
| Private Equity | 7.00% | 9.50% |
| Domestic Fixed Income | 23.00% | 0.73% |
| Global Real Assets | 19.00% | 4.77% |

### Discount Rate

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

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

For purposes of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 1.92%; and the resulting Single Discount Rate is 7.00%.

### Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

| | 1% Decrease 6.00% | Current Discount Rate 7.00% | 1% Increase 8.00% |
|---|---|---|---|
| School's proportionate share of the NDPERS net pension liability: | $ 2,664,274 | $ 1,675,290 | $ 851,805 |

**Pension Plan Fiduciary Net Position**

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

## NOTE 8 DEFINED BENEFIT OPEB PLAN

***Defined Benefit OPEB Plan***

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

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

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

**OPEB Benefits**

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

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

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

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

At June 30, 2022, the District reported a liability of $79,987 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2020, the District's proportion was 0.143816 percent which was an increase of 0.000070 from its proportion measured as of July 1, 2020.

For the year ended June 30, 2021, the District recognized OPEB expense of $9,740. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 4,594 | $ 2,192 |
| Changes of assumptions | 12,387 | - |
| Net difference between projected and actual earnings on OPEB plan investments | - | 27,405 |
| Changes in proportion and differences between employer contributions and proportionate share of contribution | 6,814 | 9,373 |
| District contributions subsequent to the measurement date | 17,891 | - |
| Total | $ 41,686 | $ 38,970 |

$17,891 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023.

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

| Year ending June 30: | OPEB Expense Amount | |
|---|---|---|
| 2023 | $ | (2,844) |
| 2024 | | (3,041) |
| 2025 | | (4,194) |
| 2026 | | (5,787) |
| 2027 | | 691 |

**Actuarial Assumptions**

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

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

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2021 are summarized in the following table:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|---|---|---|
| Large Cap Domestic Equities | 33.00% | 5.85% |
| Small Cap Domestic Equities | 6.00% | 6.75% |
| Domestic Fixed Income | 26.00% | 6.25% |
| International Equities | 35.00% | 0.50% |

**Discount Rate**

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the Plans as of June 30, 2021, calculated using the discount rate of 6.50 percent, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

| | 1% Decrease 5.50% | Current Discount Rate 6.50% | 1% Increase 7.50% |
|---|---|---|---|
| District's proportionate share of the net OPEB liability | $ 118,630 | $ 79,987 | $ 47,288 |

**Pension Plan Fiduciary Net Position**

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

**NOTE 9 RISK MANAGEMENT**

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

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

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of 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 any premium for this coverage.

The District participates in the North Dakota Worker’s Compensation Bureau and purchases commercial insurance for employee health and accident insurance.

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

## NOTE 10 CONTINGENT LIABILITIES

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2022, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

## NOTE 11 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 $17,409.

## 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 INTERFUND BALANCES

The District has the following interfund receivables and payables as of June 30, 2022:

| | Interfund Receivable | Interfund Payable |
|---|---|---|
| General Fund | $ 746,367 | $ 675,180 |
| Food Service Fund | - | 73,775 |
| Special Reserve Fund | 597 | - |
| Building Fund | 1,991 | |
| | $ 748,955 | $ 748,955 |

Interfund balances consist of negative cash in the Food Service Fund and property taxes received by the General Fund owed to the Special Reserve and Building Funds.

The District performed the following interfund transfers for the year ended June 30, 2022:

| Transfers In | Transfers Out | Amount |
|---|---|---|
| Food Service Fund | General Fund | $ 665,347 |
| General Fund | Special Reserve Fund | 21,778 |
| | | $ 687,125 |

Interfund transfers consist of transfers to cover negative fund balance in the Food Service Fund and excess amounts in the Special Reserve Fund.

## NOTE 14 COMMITMENTS

The District entered contracts for construction of a new high school building. The contracts total $15,247,885. As of June 30, 2022, $15,247,885 remains on these contracts.

## NOTE 15 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through July 19, 2024, which is the date these financial statements were available to be issued.

**DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1**
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

| | Budgeted Amounts Original and Final | Actual | Over (Under) Final Budget |
|---|---|---|---|
| REVENUES | | | |
| Local Property Tax Levies | $ 254,183 | $ 268,594 | $ 14,411 |
| Other Local & County Revenues | 45,000 | 258,324 | 213,324 |
| Revenue From State Sources | 7,576,802 | 7,611,522 | 34,720 |
| Revenue From Federal Sources | 4,695,999 | 7,474,517 | 2,778,518 |
| Interest | - | 664 | 664 |
| TOTAL REVENUES | 12,571,984 | 15,613,621 | 3,041,637 |
| EXPENDITURES | | | |
| Business Support Services | 285,303 | 262,984 | (22,319) |
| Instructional Support Services | 233,598 | 255,299 | 21,701 |
| Administration | 958,775 | 1,094,718 | 135,943 |
| Operations and Maintenance | 770,520 | 1,191,532 | 421,012 |
| Transportation | 427,281 | 262,588 | (164,693) |
| Regular Instruction | 15,161,767 | 9,411,887 | (5,749,880) |
| Special Education | 401,711 | 526,911 | 125,200 |
| Vocational Education | 173,255 | 197,765 | 24,510 |
| Extra-Curricular Activities | 289,319 | 454,491 | 165,172 |
| Food Services | 21,160 | 1,000 | (20,160) |
| Capital Outlay | - | 1,112,939 | 1,112,939 |
| Principal Retirement | - | 55,000 | 55,000 |
| Interest and Fiscal Charges on Long-Term Debt | - | 13,488 | 13,488 |
| TOTAL EXPENDITURES | 18,722,689 | 14,840,602 | (3,882,087) |
| Excess (Deficiency) of Revenues Over Expenditures | (6,150,705) | 773,019 | 6,923,724 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers Out | (1,565,188) | (665,347) | (899,841) |
| Transfers In | - | 21,778 | 21,778 |
| TOTAL OTHER FINANCING SOURCES (USES) | (1,565,188) | (643,569) | 921,619 |
| Excess (Deficiency) of Revenues and Other Sources Over Expenditures | (7,715,893) | 129,450 | 7,845,343 |
| Fund Balances - Beginning | 6,701,974 | 6,701,974 | - |
| Fund Balances - Ending | $ (1,013,919) | $ 6,831,424 | $ 7,845,343 |

See Notes to the Required Supplementary Information

## DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE TFFR AND NDPERS PENSION PLANS
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

### Teachers Fund for Retirement

| Fiscal Year Ended June 30 | Statutorily Required Contribution | Contributions in Relation to the Statutorily Required Contributions | Contribution Deficiency (Excess) | District's Covered-Employee Payroll | Contributions as a Percentage of Covered-Employee Payroll |
|---|---|---|---|---|---|
| 2022 | $ 519,024 | $ (519,024) | - | $ 4,070,783 | 12.75% |
| 2021 | 480,368 | (480,368) | - | 3,767,800 | 12.75% |
| 2020 | 449,495 | (449,495) | - | 3,525,438 | 12.75% |
| 2019 | 426,625 | (426,625) | - | 3,346,079 | 12.75% |
| 2018 | 404,044 | (404,044) | - | 3,168,971 | 12.75% |
| 2017 | 408,090 | (408,090) | - | 3,200,702 | 12.75% |
| 2016 | 330,097 | (330,097) | - | 2,589,121 | 12.75% |
| 2015 | 259,891 | (259,891) | - | 2,417,614 | 10.75% |

### North Dakota Public Employees Retirement System

| Fiscal Year Ended June 30 | Statutorily Required Contribution | Contributions in Relation to the Statutorily Required Contributions | Contribution Deficiency (Excess) | District's Covered-Employee Payroll | Contributions as a Percentage of Covered-Employee Payroll |
|---|---|---|---|---|---|
| 2022 | $ 154,784 | $ (154,784) | - | $ 2,091,369 | 7.40% |
| 2021 | 135,173 | (135,173) | - | 1,872,274 | 7.22% |
| 2020 | 124,711 | (124,711) | - | 1,751,302 | 7.12% |
| 2019 | 122,380 | (122,380) | - | 1,718,826 | 7.12% |
| 2018 | 117,423 | (117,423) | - | 1,649,186 | 7.12% |
| 2017 | 114,609 | (114,609) | - | 1,609,674 | 7.12% |
| 2016 | 87,634 | (87,634) | - | 1,230,816 | 7.12% |
| 2015 | 73,907 | (73,907) | - | 1,038,016 | 7.12% |

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

See Notes to the Required Supplementary Information

**DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1**
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE NDPERS OPEB PLAN
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

**North Dakota Public Employees Retirement System - OPEB**

| Fiscal Year Ended June 30 | Statutorily Required Contribution | Contributions in Relation to the Statutorily Required Contributions | Contribution Deficiency (Excess) | District's Covered - Employee Payroll | Contributions as a Percentage of Covered - Employee Payroll |
|---|---|---|---|---|---|
| 2022 | $ 17,891 | $ 17,891 | - | $ 2,091,036 | 0.86% |
| 2021 | 19,511 | 19,511 | - | 1,872,274 | 1.04% |
| 2020 | 19,946 | 19,946 | - | 1,751,302 | 1.14% |
| 2019 | 19,507 | 19,507 | - | 1,718,826 | 1.13% |
| 2018 | 18,800 | 18,800 | - | 1,649,186 | 1.14% |

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

See Notes to the Required Supplementary Information

**DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1**
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

## Teachers Fund for Retirement

| For the Fiscal Year Ended June 30 | District's Proportion of the Net Pension Liability (Asset) | District's Proportionate Share of the Net Pension Liability (Asset) (a) | District's Covered-Employee Payroll | Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|
| 2021 | 0.488836% | $ 5,150,649 | $ 3,767,800 | 136.70% | 75.70% |
| 2020 | 0.483161% | 7,394,796 | 3,525,436 | 209.76% | 63.40% |
| 2019 | 0.477085% | 6,570,662 | 3,346,079 | 196.37% | 65.50% |
| 2018 | 0.483659% | 6,446,491 | 3,168,971 | 203.43% | 65.50% |
| 2017 | 0.474198% | 6,513,235 | 3,200,702 | 203.49% | 63.20% |
| 2016 | 0.449408% | 6,584,094 | 2,589,121 | 254.30% | 59.20% |
| 2015 | 0.420923% | 5,505,063 | 2,417,614 | 227.71% | 62.10% |
| 2014 | 0.416792% | 4,367,241 | 2,589,121 | 168.68% | 66.60% |

## North Dakota Public Employees Retirement System

| For the Fiscal Year Ended June 30 | District's Proportion of the Net Pension Liability (Asset) | District's Proportionate Share of the Net Pension Liability (Asset) (a) | District's Covered-Employee Payroll | Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|
| 2021 | 0.160730% | $ 1,675,290 | $ 1,872,274 | 89.48% | 78.26% |
| 2020 | 0.143161% | 4,503,876 | 1,579,239 | 285.19% | 48.91% |
| 2019 | 0.168116% | 1,970,441 | 1,718,826 | 114.64% | 71.66% |
| 2018 | 0.163234% | 2,754,752 | 1,649,186 | 167.04% | 63.53% |
| 2017 | 0.157420% | 2,530,256 | 1,609,674 | 157.19% | 61.98% |
| 2016 | 0.127124% | 1,238,947 | 1,230,816 | 100.66% | 70.46% |
| 2015 | 0.122007% | 816,428 | 1,038,016 | 78.65% | 77.15% |
| 2014 | 0.123225% | 782,135 | 1,069,638 | 73.12% | 77.70% |

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

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

See Notes to the Required Supplementary Information

**DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1**
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

**North Dakota Public Employees Retirement System - OPEB**

| For the Fiscal Year Ended June 30 | District's proportion of the net OPEB liability (asset) | District's proportionate share of the net OPEB liability (asset) | District's covered - employee payroll | District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll | Plan fiduciary net position as a percentage of the total OPEB liability |
|---|---|---|---|---|---|
| 2021 | 0.1438% | $ 79,987 | $ 1,872,274 | 7.38% | 76.63% |
| 2020 | 0.1368% | 115,081 | 1,559,552 | 7.38% | 63.38% |
| 2019 | 0.1567% | 125,870 | 1,718,826 | 7.20% | 63.13% |
| 2018 | 0.1533% | 120,698 | 1,649,186 | 7.20% | 61.89% |
| 2017 | 0.1485% | 117,500 | 1,607,015 | 7.31% | 59.78% |

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

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

See Notes to the Required Supplementary Information

## NOTE 1– BUDGETARY COMPARISON

### Budgets and Budgetary Accounting:

The District's Board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School District, annually on or before the last day of July must levy taxes. The governing body of the School District may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year. Taxes for School District purposes must be based upon an itemized budget statement which must show the complete expenditure by program of the District for the current fiscal year and the sources of the revenue from which it is to be financed. The School Board, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the District and to provide a sinking fund to pay and discharge the principal thereon at maturity. During the current year in the General Fund, budgeted expenditures exceeded actual expenditures by $3,882,087.

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 before September tenth of each year. The budget is then filed with the county auditor by October tenth 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 fifteenth 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.

5. The Food Service Fund and Special Reserve Fund do not have a legally adopted budget.

## NOTE 2 – CHANGES OF BENEFIT TERMS

### NDPERS

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

### OPEB

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

## NOTE 3 – CHANGES OF ASSUMPTIONS

### TFFR

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

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

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

- Investment return assumption lowered from 8% to 7.75%.
- Inflation assumption lowered from 3% to 2.75%.
- Total salary scale rates lowered by 0.25% due to lower inflation.

- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

**NDPERS**

All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2020.

**OPEB**

All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2020.

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
Dunseith Public School District No. 1
Dunseith, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2022, and the related notes to the basic financial statements, which collectively comprise Dunseith Public School District No. 1's basic financial statements and have issued our report thereon dated July 19, 2024. Our opinion for the Food Service fund is qualified due to inadequate records to support meals served that generate revenues during the year.

**Report Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Dunseith Public School District No. 1'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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-002, 2022-003, and 2022-004 that we consider to be material weaknesses.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dunseith Public School District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of non-compliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2022-003.

## The District's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the Dunseith Public School District No. 1's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Dunseith Public School District No. 1'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**

July 19, 2024

BradyMartz

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

To the Board of Education
Dunseith Public School District No. 1
Dunseith, North Dakota

## Report on Compliance for Each Major Federal Program

### *Qualified Opinions*

We have audited Dunseith Public School District No. 1's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on Dunseith Public School District No. 1's major federal programs for the year ended June 30, 2022. The Dunseith Public School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

*Qualified Opinion on AL 84.010, AL 84.041, and AL 84.425*

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, Dunseith Public School District No. 1 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on AL 84.010, AL 84.041, and AL 84.425 for the year ended June 30, 2022.

### *Basis for Qualified Opinion on Each Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Dunseith Public School District No. 1 and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Dunseith Public School District No. 1's compliance with the compliance requirements referred to above.

*Matter(s) Giving Rise to Qualified Opinion on AL 84.010, AL 84.041, and AL 84.425*

As described in the accompanying schedule of findings and questioned costs, Dunseith Public School District No. 1 did not comply with requirements regarding AL 84.010 Title I as described in finding numbers 2022-005 for Allowable Costs/Cost Principles and 2022-006 for Reporting, AL 84.041 Impact Aid as described in finding number 2022-006 for Reporting, and AL 84.425 Education Stabilization Fund as described in finding numbers 2022-008 for Allowable Costs/Cost Principals and 2022-006 for Reporting.

Compliance with such requirements is necessary, in our opinion, for Dunseith Public School District No. 1 to comply with the requirements applicable to the programs.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Dunseith Public School District No. 1's federal programs.

***Auditor's Responsibilities for the Aduit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Dunseith Public School District No. 1's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Dunseith Public School District No. 1's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 Dunseith Public School District No. 1's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Dunseith Public School District No. 1's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Dunseith Public School District No. 1's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

***Other Matters***

The results of our auditing procedures disclosed an other instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as 2022-006 and 2022-007. Our opinion on each major program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on Dunseith Public School District No. 1's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Dunseith Public School District No. 1's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questions costs as items 2022-005, 2022-006, 2022-007, and 2022-008, to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on Dunseith Public School District No. 1's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Dunseith Public School District No. 1's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Brady Martz

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

July 19, 2024

**DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1**
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

| AL # | Description | Pass-Through Entity Identifying Number | Expenditures |
|---|---|---|---|
| Department of Education | | | |
| 84.041 | Impact Aid | | $ 3,129,909 |
| 84.060 | Indian Education Grants to Local Educational Agencies | | 51,494 |
| Passed Through the North Dakota State Department of Public Instruction | | | |
| 84.010 | Chapter 1/TITLE I-Grants to Local Educational Agencies | F84010 | 1,119,509 |
| 84.367 | Title II Part A - Supporting Effective Instruction State Grants | F84367A | 169,937 |
| 84.371 | Comprehensive Literacy Development | F84371 | 255,514 |
| 84.424 | Title IV - Student Support and Academic Enrichment | F84424 | 163,326 |
| | Total Passed through ND DPI | | 1,708,286 |
| Passed Through North Dakota State Department of Public Instruction | | | |
| 84.287 | 21st Century Community Learning Centers | F84287 | 52,315 |
| Passed Through North Central Education Cooperative | | | |
| 84.287 | 21st Century | F84287 | 361,553 |
| | Total 84.287 21st Century Community Learning Centers | | 413,868 |
| Passed Through Turtle Mountain Band of Chippewa Indians | | | |
| 84.358 | Johnson O'Malley | N/A | 33,710 |
| Passed Through North Dakota State Department of Public Instruction | | | |
| 84.358 | Johnson O'Malley | F84358B | 7,312 |
| | Total 84.358 Johnson O'Malley | | 41,022 |
| Passed Through North Dakota State Department of Public Instruction | | | |
| 84.425D | COVID-19 - Education Stabilization Fund | F84425D | 257,563 |
| 84.425U | COVID-19 - Education Stabilization Fund | F84425U | 1,740,639 |
| 84.425C | COVID-19 - Education Stabilization Fund | F84425C | 103,138 |
| | Total 84.425 Education Stabilization Fund | | 2,101,340 |
| | Total Department of Education | | 7,445,919 |
| Department of Health and Human Services | | | |
| Passed Through the Central Regional Education Association | | | |
| 93.323 | COVID-19 - Epidemiology and Laboratory Capacity of Infectious Diseases (ELC) | N/A | 28,597 |
| | Total Department of Health and Human Services | | 28,597 |
| Department of Agriculture | | | |
| Passed Through the North Dakota State Department of Public Instruction | | | |
| 10.553 | COVID-19 - School Breakfast Program | F10553 | 123,951 |
| 10.555 | Food Distribution - Non Cash | F10555 | 17,409 |
| 10.555 | COVID-19 - Child Nutrition - School Lunch | F10555 | 293,346 |
| 10.559 | COVID-19 Summer Food Service | F10559 | 83,322 |
| 10.582 | Fruit and Vegetable Grant | F10582 | 614 |
| | Total Cluster | | 518,642 |
| 10.560 | SAE Food Nutrition | F10560 | 2,328 |
| | Total Department of Agriculture | | 520,970 |
| | TOTAL | | $ 7,995,486 |

See Notes to the Schedule of Expenditures of Federal Awards

**DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1**
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

## NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards (the "Schedule") are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

## NOTE 2 - INDIRECT COST RATE

Dunseith Public School District No. 1 has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

## NOTE 3 - BASIS OF PRESENTATION

The accompanying Schedule includes the federal award activity of Dunseith Public School District No. 1 under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Dunseith Public School District No. 1, it is not intended to and does not present the financial position or changes in net position of the District.

## NOTE 4 - NONMONETARY TRANSACTIONS

The District receives commodities through the food distribution program and the assistance is valued at the fair value of the commodities received and disbursed.

## NOTE 5 - PASS-THROUGH ENTITIES

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

**DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

## SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

| | |
|---|---|
| Type of auditor's report issued: | Qualified, Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | _x_ yes ___ no |
| Significant deficiency(ies) identified that are not considered to be material weaknesses? | ___ yes _x_ none reported |
| Non-compliance material to financial statements noted? | _x_ yes ___ no |

Federal Awards

| | |
|---|---|
| Internal control over major programs: | |
| Material weakness(es) identified? | _x_ yes ___ no |
| Significant deficiency(ies) identified that are not considered to be material weaknesses? | ___ yes _x_ none reported |
| Type of auditor's report issued on compliance for major programs: | Qualified |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | _x_ yes ___ no |

Identification of major programs:

| AL Number(s) | Name of Federal Program or Cluster |
|---|---|
| 84.041 | Impact Aid |
| 84.010 | Title I Grants to Local Educational Agencies |
| 84.425 | Education Stabilization Fund |

| | |
|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs: | $750,000 |
| Auditee qualified as low-risk auditee? | ___ yes _x_ no |

## SECTION II – FINANCIAL STATEMENT FINDINGS

### 2022-001 Finding

**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.

**Repeat Finding**
See finding 2021-001

**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.

**2022-002 Finding**

**Criteria**
The organization is required to maintain internal controls at a level where underlying support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with GAAP.

**Condition**
During our audit, adjusting entries to the financial statements were proposed in order to properly reflect the financial statements in accordance with GAAP.

**Cause**
The organization's internal controls have not been designed to address the specific training needs required of its personnel to identify the adjustments necessary to properly reflect the financial statements in accordance with GAAP.

**Effect**
The organization's financial statements were materially misstated prior to adjustments detected as a result of audit procedures.

**Repeat Finding**
See finding 2021-001.

**Recommendation**
Accounting personnel will need to determine the proper balance in each general ledger account prior to the audit.

**Management's Response**
See corrective action plan.

**2022-003 Finding**

**Criteria**
The District should maintain all supporting documentation for transactions incurred.

**Condition**
During our testing, we have found the following items related to disbursements:
1. Multiple credit card transactions that were not supported with invoices.
2. One transaction that was not properly supported with a purchase order.

**Cause**
The District did not maintain supporting documentation or have appropriate approvals for all transactions.

**Effect**
The District is unable to support the expenditures incurred.

**Repeat Finding**
This is a repeat finding of 2021-002.

**Recommendation**
We recommend for the District to retain all supporting documentation in accordance with the District's record retention policy.

**Views of Responsible Officials**
See corrective action plan.

**2022-004 Finding**

**Criteria**
A procedure to reconcile account balances should be in place.

**Condition**
Account balances are not reconciled on a monthly basis.

**Cause**
The client experienced turnover of staff that resulted in various accounts not being reconciled timely.

**Effect**
Account balances are not accurate at month and year end.

**Repeat Finding**
This is a repeat finding of 2021-003.

**Recommendation**
We recommend for a procedure to reconcile account balances on a monthly basis to be created and adhered to.

**Views of Responsible Officials**
See corrective action plan.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### 2022-005 Allowable Costs/Cost Principles

**Federal Program Information**

| | |
|---|---|
| Funding Agency: | U.S. Department of Education |
| Title: | Title I Grants to Local Educational Agencies |
| AL Number: | 84.010 |

**Criteria**
The District must document employee time and effort spent in the Title I program, if under 100% time spent. Furthermore, a system of internal controls would have an entity file all approved wages in the employee personal file.

**Condition**
The District was missing documentation to support time and effort of faculty members who had wages less than 100% being charged to the Title I program. Also, we noted during testing that 7 employees of the 13 hourly employees tested had wages charged higher than what the board approved and 1 employee of the 13 hourly employees tested did not have a Letter of Assurance on file. Wages not approved in our testing totaled $1,750.

**Questioned Costs**
None

**Context**
The District had recorded partial or entire salaries of 132 employees to the program. Of this listing of employees, we tested 14.

**Effect**
Expenditures improperly or inaccurately being charged to the program.

**Cause**
Management oversight.

**Recommendation**
We recommend the District require all faculty in the Title I program complete time and effort reports. We also recommend that the District has the board approve all employee wages and file them in each employee personal file.

**Repeat Finding**
This is a repeat finding of 2021-004.

**Views of Responsible Officials**
See corrective action plan.

**2022-006 Reporting**

**Federal Program Information**

| | |
|---|---|
| Funding Agency: | U.S. Department of Education |
| Title: | Title I Grants to Local Educational Agencies |
| AL Number: | 84.010 |
| | |
| Funding Agency: | U.S. Department of Education |
| Title: | Impact Aid |
| AL Number: | 84.041 |
| | |
| Funding Agency: | U.S. Department of Education |
| Title: | ESF |
| AL Number: | 84.425 |
| | |
| Funding Agency: | U.S. Department of Agriculture |
| Title: | Child Nutrition Cluster |
| AL Number: | 10.553/10.555/10.559/10.582 |

**Criteria**
To provide reasonable assurance that the reporting requirement to timely file the annual audited financial statements with the Federal Audit Clearinghouse within nine months of the District's year end is met.

**Condition**
The District's June 30, 2022 audited financial statements were not filed with the Federal Audit Clearinghouse within nine months of the District's year end.

**Questioned Costs**
Not Applicable

**Context**
The District's June 30, 2022 audited financial statements were not filed with the Federal Audit Clearinghouse within nine months of the District's year end.

**Effect**
Non-compliance with Uniform Guidance reporting requirements.

**Cause**
The District did not contract for audit until after the filing deadline.

**Recommendation**
Controls should be implemented to contract for audit prior to audit deadline to ensure the District's financial statements are audited and filed with the Federal Audit Clearinghouse within nine months of each year end.

**Repeat Finding**
This is a repeat finding of 2021-005.

**Views of Responsible Officials**
See corrective action plan.

**2022-007 Reporting**

**Federal Program Information**

| | |
|---|---|
| Funding Agency: | U.S. Department of Agriculture |
| Title: | Child Nutrition Cluster |
| AL Number: | 10.553/10.555/10.559/10.582 |

**Criteria**
Entities are only allowed to be reimbursed for the first meal served to students. Furthermore, a system of strong internal controls requires entities to ensure reports being submitted for reimbursement agree with supporting documentation.

**Condition**
The District was not able to provide proper supporting documentation and reported inaccurate meal counts for reimbursement reporting. Supporting documentation missing combined with inaccurate meal counts total $21,191.

**Questioned Costs**
Projected questioned costs $46,053.

**Context**
We tested 4 months of monthly reimbursement reports at the District's 2 food sites. The District could not provide the required supporting documentation used to complete the reimbursement report for the breakfasts served in January and March 2022 at the elementary food site. This resulted in no support for the reimbursement of 6,143 breakfasts served. We also noted variances at the elementary site with lunches being under reported by 10 in November, 3 in December, 33 in January, and 26 in March. We noted the high school food site over reported 5 lunches in January and under reported 147 breakfasts in March.

**Effect**
Inaccurate reimbursements for meals provided resulting in inaccurate revenues received.

**Cause**
Management oversight.

**Recommendation**
We recommend the District put policies and procedures in place to ensure all reimbursement reports are reviewed and approved before being submitted.

**Repeat Finding**
This is a repeat finding of 2021-006.

**Views of Responsible Officials**
See corrective action plan.

**2022-008 Allowable Costs/Cost Principles**

**Federal Program Information**

| | |
|---|---|
| Funding Agency: | U.S. Department of Education |
| Title: | Education Stabilization Fund |
| AL Number: | 84.425 |

**Criteria**
A system of good internal controls would have an entity to file all approved wages in the employee personal file and approve all transactions.

**Condition**
Supporting documentation for approved staff wages was missing for 11 employees out of the 40 transactions tested. We also noted 1 non-payroll transaction that did not have the proper approval.

**Questioned Costs**
Undeterminable

**Context**
In a population over 250, 40 transactions were selected for testing. Of the 40 transactions selected, 26 transactions were non-payroll and 14 transactions were payroll. Out of the 26 non-payroll transactions, 1 did not have the proper approval. Also, out of 14 payroll transactions, 11 were missing documentation to support approval of the wage rate.

**Effect**
Employees may not be compensated the correct amount. There is also an increased risk of unallowable non-payroll transactions being charged to the program.

**Cause**
Management oversight.

**Recommendation**
We recommend the District put a copy of the approved wages in each personal file so they have a record of what each employee will be paid. Also, the District should put procedures in place to ensure all transactions are properly approved.

**Repeat Finding**
This is a repeat finding of 2021-007.

**Views of Responsible Officials**
See corrective action plan.

**DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1**
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

**2021-001 Finding**

**Criteria**
An appropriate system of internal controls requires the District make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with accounting principles generally accepted in the United States of America.

**Condition**
The District's auditors prepared the financial statements as of June 30, 2021. In addition, adjusting journal entries were proposed to bring the financial statements into compliance with accounting principles generally accepted in the United States of America (GAAP). An appropriate system of internal controls requires that a District must make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with GAAP. 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 entity 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.

**Corrective Action Taken**
See current year findings 2022-001 and 2022-002

**2021-002 Finding**

**Criteria**
The District should maintain all supporting documentation for transactions incurred.

**Condition**
During our testing, we have found the following items related to disbursements:
1. Multiple credit card transactions that were not supported with invoices.
2. One transaction that was not properly supported with a purchase order.

**Cause**
The District did not maintain supporting documentation or have appropriate approvals for all transactions.

**Effect**
The District is unable to support the expenditures incurred.

**Recommendation**
We recommend for the District to retain all supporting documentation in accordance with the District's record retention policy.

**Corrective Action Taken**
See current year finding 2022-003

**2021-003 Finding**

**Criteria**
A procedure to reconcile account balances should be in place.

**Condition**
Account balances are not reconciled on a monthly basis.

**Cause**
Accounts were not reconciled on a monthly basis.

**Effect**
Account balances are not accurate at month and year end.

**Recommendation**
We recommend for a procedure to reconcile account balances on a monthly basis to be created and adhered to.

**Corrective Action Taken**
See current year finding 2022-004

**2021-004 Allowable Costs/Cost Principles**

**Federal Program Information**

| | |
|---|---|
| Funding Agency: | U.S. Department of Education |
| Title: | Title I Grants to Local Educational Agencies |
| AL Number: | 84.010 |

**Criteria**
The District must document employee time and effort spent in the Title I program, if under 100% time spent in the Title I program. A system of good internal controls would have an entity to file all approved wages in the employee personal file.

**Condition**
District was missing documentation to support time and effort of faculty member's wages being charged to the Title I program. We also noted that the supporting documentation for the hourly rate of 8 employees in our test of 19 employees was missing.

**Questioned Costs**
Undeterminable.

**Context**
All faculty members were tested. Out of the nineteen (19) faculty members tested, two (2) of the faculty members did not have the necessary documentation on file. Also, we noted 8 of these 19 employees did not have proper support for the wages they were paid.

**Effect**
Expenditures improperly or inaccurately being charged to the program and employees may not be compensated the correct amount.

**Cause**
The District could not provide support for the compliance requirement being tested for 2 employees who do not work in Title I 100% of the time. The District also could not provide wage support for 8 out of 19 employees.

**Recommendation**
We recommend the District require all faculty in the Title I program complete time and effort reports, annually. We also recommend that the District put a copy of the approved wages in each personal file so they have a record of what each employee will be paid.

**Corrective Action Taken**
See current year finding 2022-005

**2021-005 Reporting**

**Federal Program Information**

| | |
|---|---|
| Funding Agency: | U.S. Department of Education |
| Title: | Title I Grants to Local Educational Agencies |
| AL Number: | 84.010 |
| | |
| Funding Agency: | U.S. Department of Education |
| Title: | Impact Aid |
| AL Number: | 84.041 |
| | |
| Funding Agency: | U.S. Department of Agriculture |
| Title: | Child Nutrition Cluster |
| CFDA Number: | 10.555/10.559 |
| | |
| Funding Agency: | U.S. Department of Education |
| Title: | ESSER |
| CFDA Number: | 84.425 |

**Criteria**
To provide reasonable assurance that the reporting requirement to timely file the annual audited financial statements with the Federal Audit Clearinghouse within nine months of the District's year end is met.

**Condition**
The District's June 30, 2021 audited financial statements were not filed with the Federal Audit Clearinghouse within nine months of the District's year end.

**Questioned Costs**
Not Applicable

**Context**
The District's June 30, 2021 audited financial statements were not filed with the Federal Audit Clearinghouse within nine months of the District's year end.

**Effect**
Non-compliance with Uniform Guidance reporting requirements.

**Cause**
The District did not contract for audit until after the filing deadline.

**Recommendation**
Controls should be implemented to contract for audit prior to audit deadline to ensure the District's financial statements are audited and filed with the Federal Audit Clearinghouse within nine months of each year end.

**Corrective Action Taken**
See current year finding 2022-006

**2021-006 Cash Management**

**Federal Program Information**

| | |
|---|---|
| Funding Agency: | U.S. Department of Agriculture |
| Title: | Child Nutrition Cluster |
| AL Number: | 10.555/10.559 |

**Criteria**
Entities are only allowed to be reimbursed for the first meal served to students. Furthermore, a system of strong internal controls requires entities to ensure reports being submitted for reimbursement agree with supporting documentation.

**Condition**
Noted the District could not provide the required supporting documentation used to complete the reimbursement report for October 2020. During testing of November 2020, we noted that the elementary food site overstated both lunches and breakfasts by 720 meals. Furthermore, we noted that the high school food site had overstated 12 meals in February 2021. Testing April 2021, we calculated 4 breakfasts and 12 lunches being under reported at the elementary food site and 12 lunches overstated at the high school food site. Finally, we noted that the District did not verify the number of students living in each household when they delivered home meals in November 2020.

**Questioned Costs**
Undeterminable.

**Context**
Our population was the monthly reports submitted for reimbursement of meals served. We haphazardly selected 3 months to test. Noted the District could not provide the required supporting documentation used to complete the reimbursement report for October 2020. During testing of November 2020, we noted that the elementary food site overstated both lunches and breakfasts by 720 meals. Furthermore, we noted that the high school food site had overstated 12 meals in February 2021. Testing April 2021, we calculated 4 breakfasts and 12 lunches being under reported at the elementary food site and 12 lunches overstated at the high school food site. Finally, we noted during inquiry that the District did not verify the number of students living in each household when they delivered home meals in November 2020.

**Effect**
The elementary food site was reimbursed for more than meals actually served in November 2020. February 2021 had the high school site being reimbursed for more meals than what was actually served. Finally, the elementary food site was not reimbursed for meals served and the high school food site was reimbursed for more meals than what was actually served.

**Cause**
Oversight by management

**Recommendation**
We recommend the District put policies and procedures in place to ensure all reimbursement reports are reviewed and approved before being submitted.

**Corrective Action Taken**
See current year finding 2022-007

**2021-007 Allowable Costs/Cost Principles**

**Federal Program Information**

| | |
|---|---|
| Funding Agency: | U.S. Department of Education |
| Title: | Education Stabilization Fund |
| AL Number: | 84.425 |

**Criteria**
A system of good internal controls would have an entity to file all approved wages in the employee personal file.

**Condition**
Supporting documentation for approved wages was missing for 13 employees out of the 40 transactions tested.

**Questioned Costs**
Undeterminable

**Context**
In a population over 250, 40 transactions were selected for testing. Of the 40 transactions selected, the District was not able to provide support for wages paid for 13 employees.

**Effect**
Employees may not be compensated the correct amount.

**Cause**
The District could not provide wage support for 13 employees out of the 40 transactions tested.

**Recommendation**
We recommend the District put a copy of the approved wages in each personal file so they have a record of what each employee will be paid.

**Corrective Action Taken**
See current year finding 2022-008

# Dunseith Public Schools

Dunseith School District 1
P.O. Box 789, 101 2nd Avenue SW
Dunseith, ND 58329

Superintendent's Office
(701) 244-0480

Superintendent's Fax
(701) 244-5129

Business Office
(701) 244-0480

Elementary School
(701) 244-5792

Elementary Fax
(701) 244-5183

High School
(701)244-5249
or (701)244-5240

High School Fax
(701)244-9708


## CORRECTIVE ACTION PLAN
## JUNE 30, 2022

**2022-001**

**Contact Person**
Evan Peltier

**Planned Corrective Action**
The District will implement when it becomes cost-effective.

**Planned Completion Date**
The planned completion date for the CAP is when it becomes cost-effective.

**2022-002**

**Contact Person**
Evan Peltier

**Planned Corrective Action**
The District will implement when it becomes cost-effective.

**Planned Completion Date**
The planned completion date for the CAP is when it becomes cost-effective.

**2022-003**

**Contact Person**
Evan Peltier

**Planned Corrective Action**
Dunseith Public School Dist. #1 will implement the recommendation from Brady Martz.

**Planned Completion Date**
The planned completion date will be the start of FY-23

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CORRECTIVE ACTION PLAN (CONTINUED)
JUNE 30, 2022

**2022-004**

**Contact Person**
Evan Peltier

**Planned Corrective Action**
Dunseith Public School Dist. #1 will implement the recommendation from Brady Martz.

**Planned Completion Date**
The planned completion date will be the start of FY-23

**2022-005**

**Contact Person**
Evan Peltier

**Planned Corrective Action**
Dunseith Public School Dist. #1 will implement the recommendation from Brady Martz.

**Planned Completion Date**
The planned completion date will be the start of FY-23.

**2022-006**

**Contact Person**
Evan Peltier

**Planned Corrective Action**
Dunseith Public School Dist. #1 will implement the recommendation from Brady Martz.

**Planned Completion Date**
The planned completion date will be the start of FY-23.

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CORRECTIVE ACTION PLAN (CONTINUED)
JUNE 30, 2022

**2022-007**

**Contact Person**
Evan Peltier

**Planned Corrective Action**
Dunseith Public School Dist. #1 will implement the recommendation from Brady Martz.

**Planned Completion Date**
The planned completion date will be the start of FY-23.

**2022-008**

**Contact Person**
Evan Peltier

**Planned Corrective Action**
Dunseith Public School Dist. #1 will implement the recommendation from Brady Martz.

**Planned Completion Date**
The planned completion date will be the start of FY-23.