FORT YATES PUBLIC SCHOOL DISTRICT NO. 4
FORT YATES, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2022

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BradyMartz

INDEPENDENT AUDITOR'S REPORT

To the School Board
Fort Yates Public School District No. 4
Fort Yates, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, and each major fund of Fort Yates Public School District No. 4 (the District), Fort Yates, North Dakota, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Fort Yates Public School District No. 4, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fort Yates Public School District No. 4 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described in Note 2 to the financial statements, Fort Yates Public School District No. 4 adopted the provisions of Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

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Responsibilities of Management for the Financial Statements

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

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 Fort Yates Public School District No. 4's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Fort Yates Public School District No. 4's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Fort Yates Public School District No. 4'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

Management has omitted management's discussion and analysis, budgetary comparison schedules, and required prior years information for pensions that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements is not affected by this missing information.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 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 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.
BISMARCK, NORTH DAKOTA

June 24, 2024

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FORT YATES PUBLIC SCHOOL DISTRICT NO. 4
STATEMENT OF NET POSITION
JUNE 30, 2022

ASSETS	
Current assets	
Cash and cash equivalents	$ 33,007
Due from other governments	784,035
Inventory	4,510
Prepaids	43,108
Total current assets	864,660
Non-current assets	
Land	15,000
Construction in progress	518,236
Capital assets, net of depreciation	7,966,715
Right-to-use lease assets, net of amortization	23,513
Total non-current assets	8,523,464
TOTAL ASSETS	9,388,124
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow - pension	280,152
LIABILITIES	
Current liabilities	
Accounts payable	9,220
Retainage payable	48,700
Accrued payroll	165,805
Interest payable	34,134
Compensated absences	21,659
Long-term liabilities due within one year	
Bonds payable	435,000
Unamortized bond premium	7,844
Lease liability	8,800
Total current liabilities	731,162
Long-term liabilities	
Long-term liabilities due after one year	
Net pension liability	1,435,861
Bonds payable	920,000
Lease liability	14,759
Unamortized bond premium	15,686
Total long-term liabilities	2,386,306
TOTAL LIABILITIES	3,117,468
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow - pension	973,733
NET POSITION (DEFICIT)	
Net investment in capital and lease assets	7,937,335
Unrestricted	(2,360,260)
TOTAL NET POSITION (DEFICIT)	$ 5,577,075

SEE NOTES TO THE FINANCIAL STATEMENTS

FORT YATES PUBLIC SCHOOL DISTRICT NO. 4
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
GOVERNMENTAL ACTIVITIES				
Regular instruction	$ 2,440,740	$ -	$ 2,421,741	$ (18,999)
Special education	525,007	-	-	(525,007)
District wide services	117,595	-	309,272	191,677
Administration	347,890	-	-	(347,890)
Operations and maintenance	234,660	-	-	(234,660)
Transportation	134,504	-	-	(134,504)
Co-curricular activities	37,080	-	-	(37,080)
Food service	220,079	-	46,347	(173,732)
Depreciation and amortization - unallocated	326,117	-	-	(326,117)
Interest - unallocated	51,206	-	-	(51,206)
TOTAL GOVERNMENTAL ACTIVITIES	$ 4,434,878	$ -	$ 2,777,360	(1,657,518)
GENERAL REVENUES				
Property taxes				98,570
Unrestricted state aid				1,736,733
Miscellaneous revenue				28,418
TOTAL GENERAL REVENUES				1,863,721
Change in net position				206,203
Total net position - beginning of year				5,370,872
Net position (deficit) - end of year				$ 5,577,075

SEE NOTES TO THE FINANCIAL STATEMENTS

FORT YATES PUBLIC SCHOOL DISTRICT NO. 4
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund
ASSETS	
Cash and cash equivalents	$ 33,007
Due from other governments	784,035
Inventory	4,510
Prepaid expenses	43,108
TOTAL ASSETS	$ 864,660
LIABILITIES	
Accounts payable	$ 9,220
Retainage payable	48,700
Accrued payroll	165,805
TOTAL LIABILITIES	223,725
FUND BALANCES	
Nonspendable	47,618
Unassigned	593,317
TOTAL FUND BALANCES	640,935
TOTAL LIABILITIES AND FUND BALANCES	$ 864,660

SEE NOTES TO THE FINANCIAL STATEMENTS

FORT YATES PUBLIC SCHOOL DISTRICT NO. 4
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2022

Total fund balances - governmental funds	$ 640,935
Total net position reported for government activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	
Capital assets, net of depreciation	8,499,951
Lease assets, net of amortization	23,513
Certain long-term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:	
Net pension liability	(1,435,861)
Bonds payable	(1,355,000)
Unamortized bond premium	(23,530)
Lease liability	(23,559)
Interest payable	(34,134)
Compensated absences	(21,659)
Net deferred outflows/(inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities that are not financial resources, and therefore are not reported as deferred outflows/(inflows) of resources in the governmental funds.	
Cost sharing defined benefit plan deferred inflow - pension	(973,733)
Cost sharing defined benefit plan deferred outflow- pension	280,152
Total net position of governmental activities	$ 5,577,075

SEE NOTES TO THE FINANCIAL STATEMENTS

FORT YATES PUBLIC SCHOOL DISTRICT NO. 4
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund
REVENUES	
Local sources	$ 126,988
State sources	2,046,005
Federal sources	2,468,088
TOTAL REVENUES	4,641,081
EXPENDITURES	
Current	
Regular instruction	2,520,364
Special education	525,007
District wide services	118,177
Administration	347,890
Operations and maintenance	234,660
Transportation	134,504
Co-curricular activities	37,080
Food service	220,078
Debt Service	
Principal	433,892
Interest	47,046
Capital outlay	560,553
TOTAL EXPENDITURES	5,179,251
Excess of revenues over (under) expenditures	(538,170)
Fund balances - beginning of year	1,179,105
Fund balances - ending	$ 640,935

SEE NOTES TO THE FINANCIAL STATEMENTS

FORT YATES PUBLIC SCHOOL DISTRICT NO. 4
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Net change in fund balances - total governmental funds		$ (538,170)
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Current year capital outlay (over $5,000)	560,553	
Current year depreciation expense	(317,299)	
Current year amortization expense	(8,818)	
		234,436
Repayment of debt principal and lease liability is an expenditure in the governmental fund, but repayment reduces long-term liabilities in the Statement of Net Position		433,892
Repayment of bond premium payable is not recognized in the governmental funds, but reduces interest expense in the Statement of Activities.		7,844
Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.		
Net increase in compensated absences	581	
Net increase in interest payable	(11,884)	
Lease interest expense	(120)	
Net decrease in net pension liability	745,733	
		734,310
Changes in cost sharing defined benefit plan relating to deferred pension inflows		(946,261)
Changes in cost sharing defined benefit plan relating to deferred pension outflows		280,152
Change in net position of governmental activities		$ 206,203

SEE NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Principal Activity

Fort Yates Public School District No. 4 (the District) operates the elementary and high school in the city of Fort Yates, North Dakota.

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.

Based on the above criteria, there are no component units included in the School District’s reporting entity.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

<u>Government-Wide Statements</u>

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position reports all financial and capital resources in a balance sheet form (assets plus deferred outflows of resources less liabilities less deferred inflows of resources equal net position). Net position is displayed in three components, as applicable: net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

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. Nonmajor funds are aggregated and presented in a single column.

Fund accounting – The District's funds consist of the following:

Governmental Funds

Governmental funds are utilized to account for 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 is the District's primary operating fund. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund. The General Fund is always a major fund.

Measurement Focus and Basis of Accounting

Measurement focus is a term to describe how transactions are recorded within the various financial statements. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Government-wide Financial Statements:

In the government-wide financial statements, governmental activities are presented using the economic resources measurement focus and accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned, and expenses and related liabilities are recorded when an obligation is incurred.

Fund Financial Statements:

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Their revenues, including property taxes and grants, generally are recognized when they become measurable and available. Available means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the District, the length of that cycle is 60 days.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt, which are recognized when due.

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.

Due from other governments

Due from other governments consists of reimbursements due for expenses incurred in the operation of various school programs which are grant funded. The amounts consist of a mix of federal and state dollars.

Capital Assets

Capital assets include buildings, furniture and equipment, and vehicles, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of $5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of the donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

Buildings	10-50 Years
Furniture and Equipment	5-10 Years
Vehicles	5 Years

Leases

Lessee

The determination of whether an arrangement contains a lease is made at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the District has control of the right to use asset. Control includes the right to obtain present service capacity and the right to determine the nature and manner of use of the underlying asset, as specified in the contract.

Leases with an initial lease term of more than 12 months, or that contain an option to purchase that the District is reasonably certain to exercise, are recognized based on the present value of lease payments over the lease term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the District uses its incremental borrowing rate based on the information available at the lease commencement date. The District has made an accounting policy election to use a risk free rate based on US Treasury Tbill rate as of the lease commencement. The District accounts for lease agreements with lease and nonlease components together as a single lease component for all underlying classes of assets.

The District continues to record rent expense for short term leases on a straight-line basis over the lease term. Short term leases have a term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the District are reasonably certain to exercise.

The depreciable life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

The District’s lease agreements do not include any material residual value guarantees or restrictive covenants.

Compensated Absences

Vested or accumulated vacation leave is reported in government-wide statement of net position. Compensation for unused vacation leave will be granted to all full-time employees upon termination with the District. Employees may carry forward unused vacation.

Long-Term Liabilities

The accounting treatment of long-term liabilities depends on whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental sources are reported as liabilities in the government-wide statements. The long-term liabilities consist of refunding certificates of indebtedness and accrued leave.

In the governmental fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. Funding for refunding certificates of indebtedness is expended in the general fund.

Pensions

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

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 resources (expense/expenditure) until then. The District has one item reported on the statement of net position as deferred pension outflows, which represents the actuarial differences within the TFFR pension plan. See note 8 for further details.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital and leased assets, net of accumulated depreciation and amortization, 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 related to those assets. Unrestricted Net Position is the net amount of assets and liabilities that are not included in the determination of net investments in capital assets or the restricted component of net position.

It is the District's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Balance Classifications

The District classifies governmental fund balances as follows:

Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority (School Board) and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Business Manager.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The District uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy.

Program Revenues

In the government-wide Statement of Activities, reported program revenues are derived directly from the program itself or from parties other than the District's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.

2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.

3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program. The District received no capital grants and contributions for the year ended June 30, 2022.

Revenue Recognition – Property Taxes

Property taxes are levied on or before August 15. The taxes levied must be certified to the county auditor by August 25. The governing body of the School District may amend its tax levy for the current fiscal year on or before the tenth day of October of each year, but the certification must be filed with the county auditor by October 10. Property taxes attach as an enforceable lien on property on January 1 and may be paid in two installments on or before the following March 1 and October 15. The county bills and collects the District's taxes and remits them to the District.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principles

The District implemented GASB Statement No. 87, *Leases* in the fiscal year ended June 30, 2022. GASB Statement No. 87 establishes a single model for lease accounting based on the foundation principal that leases are financings of the right to use an underlying asset.

The adoption of GASB 87 resulted in the recognition of a right to use leased asset and lease liability of $32,331 as of July 1, 2021. Results for periods prior to June 30, 2021 continue to be reported in accordance with the District's historical accounting treatment. See note 6 for expanded disclosures regarding the District's leases.

NOTE 3 DEPOSITS

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

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

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the state of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board.

Custodial Credit Risk

Custodial credit risk is the risk associated with the failure of a depository institution. In the event of a depository financial institution's failure, the District would not be able to recover the deposits or collateralized securities that are in the possession of the outside parties. The District does not have a formal policy regarding deposits. The fair value of the collateral pledged must be equal to or greater than 110% of the deposits not covered by insurance on bonds. The District maintains cash on deposit at various financial institutions. The amount on deposit was insured by the FDIC up to $250,000 at each institution. At June 30, 2022, the District had approximately $128,286 in excess of the FDIC limits on deposit. The amount in excess was covered by pledged securities at June 30, 2022.

Credit Risk and Interest Rate Risk

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

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

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

c. Certificates of Deposit fully insured by the federal deposit insurance corporation.

d. Obligations of the state.

e. Commercial paper issued by a United States corporation rated in the highest quality category by at least two nationally recognized rating agencies and matures in two hundred seventy days or less.

The District has no interest rate risk or credit risk of debt securities.

NOTE 4 CAPITAL ASSETS

Changes in capital assets used in governmental activities were as follows during the year ended June 30, 2022:

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Capital assets not being depreciated				
Land	$ 15,000	$ -	$ -	$ 15,000
Construction in progress	-	518,236	-	518,236
Total capital assets, not depreciated	15,000	518,236	-	533,236
Capital assets, being depreciated				
Buildings	11,623,200	26,522	-	11,649,722
Furniture and equipment	258,270	15,795	-	274,065
Vehicles	304,574	-	-	304,574
Total capital assets, being depreciated	12,186,044	42,317	-	12,228,361
Less accumulated depreciation for				
Buildings	3,725,147	235,866	-	3,961,013
Furniture and equipment	111,981	23,458	-	135,439
Vehicles	107,219	57,975	-	165,194
Total accumulated depreciation	83,513,452	317,299	-	4,261,646
Total capital assets being depreciated, net	226,482,488	(274,982)	-	7,966,715
Governmental activities capital assets, net	$ 265,150,467	$ 243,254	$ -	$ 8,499,951

Depreciation expense was not allocated to any functions/programs of the District on the Statement of Activities.

NOTE 5 LONG-TERM LIABILITIES

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2022:

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022	Due Within One Year
General obligation bonds payable	$ 1,780,000	$ -	$ (425,000)	$ 1,355,000	$ 435,000
Unamortized premium	31,374	-	(7,844)	23,530	7,844
Compensated absences	22,240	-	(581)	21,659	21,659
	$ 1,833,614	$ -	$ (433,425)	$ 1,400,189	$ 464,503

Long-term liabilities are comprised of the Refunding Certificates of Indebtedness, Series 2015: The bonds carry interest rates of 2.0% - 3.0% and are scheduled to mature in August 2024. Payments are made from the General Fund. Outstanding Obligations as of June 30, 2022 was $1,355,000.

The following is a schedule of the future expected principal and interest requirements to retire the long-term debt obligations as of June 30, 2022.

Year Ending June 30,	Principal	Interest
2023	$ 435,000	$ 47,025
2024	450,000	34,125
2025	470,000	20,850
Premium	23,530	(23,530)
Total	$ 1,378,530	$ 78,470

At June 30, 2022, the District was not in compliance with the provisions of the Refunding Certificates of Indebtedness Series 2015 that requires assets to be accumulated in a restricted account for the payment of future debt service. The covenants require all District Impact Aid to be paid directly to the escrow agent. As of June 30, 2022, the District did not have the paperwork finalized for Impact Aid funding to be directly sent to the escrow agent; therefore, the covenant is not being met. The lender has maintained original payment schedules. As such, the debt is shown in accordance with the debt agreement.

NOTE 6 LEASES

The District leases equipment. The terms of the leases are for a period of 60 months, commencing on February 1, 2020 and terminating on February 1, 2025 with monthly rental payments between $349 and $392.

The following is the total lease expense for the year ended June 30, 2022:

Amortization expense by class of underlying asset	
Equipment	$ 8,818
Interest on lease liabilities	132
Total	$ 8,950

The following is a schedule of activity in leased assets and the lease liability for the year ended June 30, 2022:

	7/1/2021	Additions	Deductions	6/30/2022	Amounts Due Within One Year
Lease assets					
Equipment	$ 32,331	$ -	$ -	$ 32,331	
Less: accumulated amortization					
Equipment	-	(8,818)	-	(8,818)	
Total lease assets, net	$ 32,331	$ (8,818)	$ -	$ 23,513	
Lease Liabilities	$ 32,331	$ -	$ (8,772)	$ 23,559	$ 8,800

The following is a schedule by years of future minimum rental payments required under the lease:

Year Ending June 30,	Principal	Interest	Total Payments
2023	$ 8,800	$ 92	$ 8,892
2024	8,842	50	8,892
2025	5,917	10	5,927
Total	$ 23,559	$ 152	$ 23,711

NOTE 7 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. The District pays a commercial carrier for health insurance coverage. Unemployment claims are paid by the District as such are filed.

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 2,500 political subdivisions. The District pays an annual premium to NDIRF for its general liability, automobile and inland marine insurance coverage. The coverage by NDIRF is limited to losses of $2,000,000 per occurrence for general liability and automobile and $3,060 for inland marine coverage.

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides political subdivision 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 has workers compensation with the North Dakota Workforce Safety and Insurance (WSI). WSI is a state insurance fund and a “no fault” insurance system, covering employers and employees. WSI is financed by premiums assessed to employers. The premiums are primarily for the payment of claims to employees injured in the course of employment. There have been no significant reductions in insurance coverage from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in the past three fiscal years.

NOTE 8 NORTH DAKOTA TEACHERS’ FUND FOR RETIREMENT

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

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

At June 30, 2022, the District reported a liability of $1,435,861 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 0.13627427%, which was a decrease of 0.00626665% from its proportion measured at July 1, 2020.

For the year ended June 30, 2022, the Employer recognized pension expense of $49,744. 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 experience	$ 9,976	$ (60,554)
Changes of assumptions	50,434	-
Net difference between projected and actual earnings on pension plan investments	-	(420,732)
Changes in proportion and differences between employer contributions and proportionate share of contributions	91,492	(492,447)
Employer contributions subsequent to the measurement date	128,250	-
Total	$ 280,152	$ (973,733)

$128,250 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 ended June 30:	
2023	$ (187,380)
2024	(170,946)
2025	(216,754)
2026	(179,742)
2027	(47,542)
Thereafter	(19,467)

Actuarial Assumptions

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

Inflation	2.30%
Salary increases	3.80% to 14.80%, varying by service, including inflation and productivity
Investment rate of return	7.25%, net of investment expenses, including inflation
Cost-of-living adjustments	None

For active and inactive members, mortality rates were based on the PubT-2010 Employee table, projected with generational improvement using Scale MP-2019. For healthy retirees, mortality rates were based on 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019. For disability retirees, mortality rates were based on the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019.

The actuarial assumptions used were based on the results of an actuarial experience study dated March 19, 2020. They are the same as the assumptions used in the July 1, 2021, funding actuarial valuation for TFFR.

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 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	55%	6.9%
Global Fixed Income	26%	0.7%
Global Real Assets	18%	4.8%
Cash Equivalents	1%	-1.0%

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Employer's proportionate share of the net pension liability	$ 2,155,999	$ 1,435,861	$ 837,860

Pension Plan Fiduciary Net Position

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

NOTE 9 CONTINGENCIES

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with items and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. The District's management believes it has complied with all applicable grant provisions. In the opinion of management, any possible disallowed claim would not have a material adverse effect on the overall financial position of the District as of June 30, 2022.

NOTE 10 ECONOMIC DEPENDENCY

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

NOTE 11 COMMITMENTS

In the current year, the District entered into a construction commitment to repair the middle school roof. The original contract amount was $870,931, of which $518,236 was paid and included in construction in progress as of June 30, 2022.

NOTE 12 FUTURE 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 the effect these statements will have on the District's financial statements.

NOTE 13 SUBSEQUENT EVENTS

In July 2023, the District paid off the total remaining balance of the Refunding Certificate of Indebtedness, Series 2015. The District made principal payments of $920,000 and interest payments of $13,800 for a total payment of $933,800.

Subsequent events have been evaluated through June 24, 2024, which is the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

FORT YATES PUBLIC SCHOOL DISTRICT NO. 4
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF NET PENSION LIABILITY

NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered-employee payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2022	0.13627427%	$ 1,435,861	$ 1,050,265	136.71%	75.70%

See Note to Required Supplementary Information

FORT YATES PUBLIC SCHOOL DISTRICT NO. 4
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYERS CONRIBTUIONS - PENSION

NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2022	$ 128,250	$ (128,250)	$ -	$ 1,005,888	12.75%

See Note to Required Supplementary Information

NOTE 1 CHANGES OF ASSUMPTION

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

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

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

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

SUPPLEMENTARY INFORMATION

FORT YATES PUBLIC SCHOOL DISTRICT NO. 4
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-Through Grantor Number	Expenditures
U.S. Department of Agriculture			
Passed through North Dakota Department of Public Instruction			
School Breakfast Program	10.553	F10553	$ 9,377
National School Lunch Program	10.555	F10555	35,434
Fresh Fruit and Vegetable Program	10.582	F10582	353
Child Nutrition Cluster			45,164
State Administrative Expenses for Child Nutrition	10.560	F10560	570
Pandemic EBT Administrative Costs	10.649	F10649	614
Total U.S. Department of Agriculture			46,348
U.S. Department of Education			
Passed through North Dakota Department of Public Instruction			
Title I Grants to Local Educational Agencies	84.010	F84010	172,390
Special Education Grants to States	84.027A	F84027A	11,513
Special Education Grants to States	84.027X	F84027X	21,456
Total AL 84.027			32,969
Special Education Preschool Grants	84.173A	F84173A	992
Special Education Preschool Grants	84.173X	F84173X	793
Total AL 84.173			1,785
Rural Education	84.358	F84358	2,388
Supporting Effective Instruction State Grants	84.367	F84367	9,484
Elementary and Secondary School Emergency Relief Fund	84.425D	F84425D	385,335
ARP - Elementary and Secondary School Emergency Relief	84.425U	F84425U	786,158
Total AL 84.425			1,171,493
Impact Aid	84.041		991,193
Indian Education Grants to Local Educational Agencies	84.060A		34,070
Total U.S. Department of Education			2,415,772
U.S. Department of Interior			
Indian Education-Assistance to Schools	15.130		5,968
Total U.S. Department of Interior			5,968
Total expenditures of federal awards			$ 2,468,088

See Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 BASIS OF ACCOUNTING

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 applicable cost principles contained in Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or limited as to reimbursement.

NOTE 2 INDIRECT COST RATE

The District 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 Fort Yates Public School District No. 4 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 Fort Yates Public School District No. 4, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE 4 FEDERAL REIMBURSEMENTS

These amounts reflect cash received. Federal reimbursements are based on approved rates for services provided rather than reimbursement for specific expenditures.

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 School Board
Fort Yates Public School District No. 4
Fort Yates, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Fort Yates Public School District No. 4 (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 24, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fort Yates Public School District No. 4'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 Fort Yates Public School District No. 4's internal control. Accordingly, we do not express an opinion on the effectiveness of Fort Yates Public School District No. 4's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficienies described in the accompanying schedule of findings and questioned costs as items 2022-001 through 2022-004, 2022-006 and 2022-007 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2022-005 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fort Yates Public School District No. 4's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2022-005 through 2022-007.

Fort Yates Public School District No. 4's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Fort Yates Public School District No. 4's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Fort Yates Public School District No. 4'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

June 24, 2024

BradyMartz

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

To the School Board
Fort Yates Public School District No. 4
Fort Yates, North Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Fort Yates Public School District No. 4'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 each of Fort Yates Public School District No. 4's major federal programs for the year ended June 30, 2022. Fort Yates Public School District No. 4's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Fort Yates Public School District No. 4 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for 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 Fort Yates Public School District No. 4 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 Fort Yates Public School District No. 4's compliance with the compliance requirements referred to above.

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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 Fort Yates Public School District No. 4's federal programs.

Auditor's Responsibilities for the Audit 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 Fort Yates Public School District No. 4'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 Fort Yates Public School District No. 4'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 Fort Yates Public School District No. 4'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 Fort Yates Public School District No. 4'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 Fort Yates Public School District No. 4'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 instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-005 through 2022-007. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Fort Yates Public School District 4'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.

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. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and a significant deficiency.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-006 and 2022-007 to be material weaknesses.

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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-005 to be a significant deficiency.

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 the District's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Fort Yates Public School District No. 4'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.
BISMARK, NORTH DAKOTA

June 24, 2024

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FORT YATES PUBLIC SCHOOL DISTRICT NO. 4
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:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	x yes	____ no
Significant deficiency(ies) identified?	x yes	____ none reported
Noncompliance 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?	x yes	____ none reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are Required to be reported in accordance with 2 CFR 200.516(a)?	x yes	____ no

AL Number(s)	Name of Federal Program or Cluster
84.041	Impact Aid
84.425D / 84.425U	COVID-19: Elementary and Secondary School Emergency Relief Fund (ESSER)

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

Section II - Financial Statement Findings

2022-001 Segregation of Duties – Material Weakness

Criteria
A proper system of internal control has the proper segregation of duties between authorization, custody, record keeping and reconciliation.

Condition
There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keepings and reconciliation.

Cause
The District is subject to size and budget constraints limiting the number of personnel within the accounting department.

Effect
The design of internal control over financial reporting could adversely affect the ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Recommendation
We recommend the District review their internal controls over the accounting functions to determine if additional procedures can be implemented that are cost effective. The board should constantly be aware of this condition. Compensating controls that mitigate the related risks could be (or are) provided through appropriate oversight of the performance of these functions and review of the financial reports by individuals with knowledge of current operations and accounting principles.

Views of Responsible Officials and Planned Corrective Actions
The District agrees with the above finding. See Corrective Action Plan.

Indication of Repeat Finding

This is a repeat of finding 2021-001 from the prior year.

2022-002 Preparation of the Financial Statements – Material Weakness

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

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

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

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

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

Views of Responsible Officials and Planned Corrective Actions
The District agrees with the above finding. See Corrective Action Plan.

Indication of Repeat Finding
This is a repeat of finding 2021-002 from the prior year.

2022-003 Proposition of Journal Entries – Material Weakness

Criteria
The District 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, material adjustments to the financial statements were proposed in order to properly reflect the financial statements in accordance with GAAP.

Cause
The District'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 District's financial statements were materially misstated prior to an adjustment detected as a result of audit procedures.

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

Views of Responsible Officials and Planned Corrective Actions
Management is in agreement with the finding. See attached Corrective Action Plan.

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

2022-004 Debt Covenant Noncompliance – Material Weakness

Criteria
As part of the District's debt agreement, the District is required to comply with debt covenants as detailed in the agreement.

Condition
The District has not complied with debt covenants related to establishing an escrow account equal to Impact Aid receipts for the school year.

Cause
The escrow account was not utilized during the current year. The Business Officer indicated the cause of this is a lack of finalization of paperwork related to the escrow deposits and due to turnover in key staff.

Effect
Failure to comply could result in penalties to the District or additional costs incurred to become compliant.

Recommendation
We recommend that the District finalize escrow information to submit necessary Impact Aid receipts directly to the escrow account.

Views of Responsible Officials and Planned Corrective Actions
Management is in agreement with the finding. See attached Corrective Action Plan.

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

Section III – Federal Award Findings and Questioned Costs

2022-005 Untimely Filing of Data Collection Form – Significant Deficiency

Criteria
Uniform Guidance 2 CFR 200.512(a) states in part: “The audit must be completed, and the data collection form must be submitted within the earlier of 30 calendar days after receipt of the auditor's report or nine months after the end of the audit period.”

Condition
The District did not submit its Data Collection Form to the Federal Audit Clearinghouse within nine months of its year-end.

Cause
Audited financial statements were not complete; therefore, the Data Collection Form could not be filed timely.

Effect
The District is not in compliance with the filing requirement deadline.

Recommendation
We recommend the District comply with the Uniform Guidance 2 CFR 200.512(a) by submitting the Data Collection Form within the allowable time requirements.

Views of Responsible Officials and Planned Corrective Actions
Management is in agreement with the finding. See attached Corrective Action Plan.

Indication of Repeat Finding
This is a new finding.

2022-006 Allowable Costs/Costs Principals – Material Weakness
AL 84.425 ESSER

Criteria
The District should charge costs to the grants that are allowable. Documentation should be kept that supports the employees are being paid the correct amounts based on approved rates to ensure only approved amounts are charged to the grant.

Condition
Of the 35 payroll transactions tested, we noted 35 instances where proper support was not kept to support the amount charged to the grant.

Questioned Costs
$29,169

Cause
The District did not have proper support to show how payroll was allocated to each grant.

Effect
Grant awards potentially overcharged.

Recommendation
We recommend the District implement policies and procedures that help determine how payroll is allocated to each grant.

Views of Responsible Officials and Planned Corrective Actions
Management is in agreement with the finding. See attached Corrective Action Plan.

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

2022-007 Allowable Costs/Costs Principals – Material Weakness
AL 84.010 TITLE I

Criteria
The District should charge costs to the grants that are allowable. Documentation should be kept that supports the employees are being paid the correct amounts based on approved rates to ensure only approved amounts are charged to the grant.

Condition
Of the 24 payroll transactions tested, we noted 24 instances where proper support was not kept to support the amount charged to the grant.

Questioned Costs
$10,204

Cause
The District did not have proper support to show how payroll was allocated to each grant.

Effect
Grant awards potentially overcharged.

Recommendation
We recommend the District implement policies and procedures that help determine how payroll is allocated to each grant.

Views of Responsible Officials and Planned Corrective Actions
Management is in agreement with the finding. See attached Corrective Action Plan.

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

Material Weaknesses

2021-001 FINDING: Segregation of Duties

Federal Programs Affected: All major federal programs as listed in #7 in section A – Summary of Audit Results

Compliance Requirement: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Reporting

Questioned Costs: None

Condition and Cause: The District has not segregated all accounting duties (to include duties specifically related to compliance requirements of federal funding) to ensure that no one person is involved in more than one of the accounting and reporting processes of authorization, execution, custody, and recording for any given transaction. The District has limited oversight over accounting or compliance with funding sources. The District has limited staff available to fully segregate all duties. No written policies exist for data security, internet and mobile device use, or contingency plan. Backups are not performed on the accounting data.

Criteria and Effect: All good systems of internal accounting control include adequate segregation of duties so no one individual handles a transaction from its inception to its completion. Employees whose responsibilities encompass two or more phases of a transaction increase the risk of undetected errors, omissions, or misappropriation of assets of the District. Adequate oversight should be included in the internal control processes. Information technology policies and controls help safeguard the District from electronic threats, and backups provide the District with the ability to maintain records in the event of a disaster. A lack of information technology policies and backups could cause the District to lose data.

Recommendation: We recommend the District evaluate the internal controls in the accounting and reporting process to determine if additional segregation of duties is feasible or if additional mitigating controls can be implemented, including oversight by management or the board. We also recommend the District prepare and communicate policies for data security, internet and mobile device use, and a contingency plan. A backup policy should also be prepared and implemented to ensure accounting data is maintained.

Current Status: Repeated in current year as finding 2022-001.

2021-002 FINDING: Preparation of Financial Statements and Schedule of Federal Expenditures (SEFA)

Federal Programs Affected: All major federal programs as listed in #7 in section A – Summary of Audit Results

Compliance Requirement: Reporting

Questioned Costs: None

Condition and Cause: We were requested to draft the audited financial statements and the SEFA, and related footnote disclosures as part of our regular audit services. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint, we do both for the District at the same time in connection with our audit. This is not unusual for us to do with organizations of the District's size.

Criteria and Effect: It is our responsibility to inform the School Board that this deficiency could result in a material misstatement to the financial statements that would have not been prevented or detected by the District's management.

Recommendation: We have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in the District's financial statements. We are satisfied that the appropriate steps have been taken to provide the District with the completed financial statements. It is the responsibility of management and the School Board to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Current Status: Repeated in current year as finding 2022-002.

2021-003 FINDING: Adjusting Journal Entries/Account Reconciliation

Federal Programs Affected: All major federal programs as listed in #7 in section A – Summary of Audit Results

Compliance Requirement: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Questioned Costs: None

Condition and Cause: We identified misstatements in the District's financial statements causing us to propose material audit adjustments. The District did not reconcile accounts to subsidiary schedules or complete year-end adjustments to reflect accurate balances.

Criteria and Effect: A good system of internal accounting control includes proper reconciliation of all general ledger accounts and adjustment of those accounts to the proper balances. Inadequate internal controls over recording of transactions affect the District's ability to detect misstatements in amounts that could be material to the financial statements.

Recommendation: We recommend the District reconcile all general ledger accounts and adjust the accounts to the proper balances in a timely manner.

Current Status: Repeated in current year as finding 2022-003.

2021-004 FINDING: Debt Covenant Noncompliance

Federal Programs Affected: None

Compliance Requirement: None

Questioned Costs: None

Condition and Cause: The District has not complied with debt covenants related to establishing an escrow account equal to Impact Aid receipts for the school year. The escrow account was not utilized during the current year. The Business Officer indicated the cause of this is a lack of finalization of paperwork related to the escrow deposits and due to turnover in key staff.

Criteria and Effect: As part of the District's debt agreement, the District is required to comply with debt covenants as detailed in the agreement. Failure to comply could also result in penalties to the District or additional costs incurred to become compliant.

Recommendation: We recommend the District finalize escrow information to submit necessary Impact Aid receipts directly to the escrow account.

Current Status: Repeated in current year as finding 2022-004.

2021-005 FINDING: Testing Errors

Federal Programs Affected: Title I (CFDA # 84.010)

Compliance Requirement: Allowable Costs

Questioned Costs: None over $25,000.

Condition and Cause: We noted the following errors during our sample testing of 25 payroll transactions. Errors noted were due to lack of supporting documentation:

a. Gross pay could not be recalculated for 1 certified and 10 noncertified employees as the School does not maintain signed contracts and approved pay rates. Additionally, 1 noncertified employee was being paid a rate other than the approved rate on their signed contract.
b. One employee tested was not making and receiving the required TFFR contributions. The error was identified subsequent to year end and required TFFR contributions were made.
c. Documentation could not be provided for one expense tested.

Criteria and Effect: Uniform Guidance requires expenditures to follow the allowable costs as outlined in the grant agreements and also requires adequate documentation of all federal disbursements. For non-federal disbursements, accounting standards require substantiating documentation to be maintained to support the business reasonableness of all expenditures. Lack of adequate documentation could result in questioned costs or misappropriation of District funds. TFFR assesses employees and employers participating in the plan. Such percentages are not consistently applied by the District.

Recommendation: Control processes regarding recordkeeping and maintenance of substantiating documentation should be maintained and reviewed to ensure documentation is being kept as evidence of the propriety of the expenditure. Review of expenditures should be documented on the expenditure documentation. The District should work with TFFR to determine retirement contributions are completed properly.

Current Status: Repeated in current year as finding 2022-007.

2021-006 FINDING: Grant Compliance and Written Uniform Guidance Policies

Federal Program Affected: All major federal programs as listed in #7 in section A – Summary of Audit Results

Compliance Requirement: Allowable Costs/Cost Principles, Cash Management, and Special Reporting

Questioned Costs: None

Condition and Cause: The District does not have written policies for allowable costs/cost principles and cash management. The District understated the total students provided education reported on its impact aid application by two students.

Criteria and Effect: Uniform Guidance specifically requires entities to maintain written policies for allowable costs/cost principles and cash management. The District's impact aid application should be supported by student counts and the application should be reviewed for errors. Not properly maintaining such policies and review procedures leads to noncompliance and potential unallowable costs.

Recommendation: The District should create written policies for allowable costs/cost principles and cash management and maintain adequate documentation supporting its Impact Aid application. Someone should review the Impact Aid application.

Current Status: Finding cleared.

Fort Yates PUBLIC SCHOOL | DISTRICT NO. 4

CORRECTIVE ACTION PLAN

JUNE 30, 2022

Fort Yates Public School District No. 4 respectfully submits the following corrective action plan regarding findings from the June 30, 2022, Schedule of Findings. The findings are numbered consistently with the numbers assigned in the 2022 Schedule of Findings.

2022-001 FINDING: Segregation of Duties – Material Weakness

Responsible Individuals: Ambrosia Ermenc, Business Manager

Corrective Action Plan: Evaluating internal controls and new controls will be implemented based on feasibility and staffing.

Anticipated Completion Date: Ongoing

2022-002 FINDING: Preparation of Financial Statements –Material Weakness

Responsible Individuals: Ambrosia Ermenc, Business Manager

Corrective Action Plan: The district agrees with the finding and accepts this risk. This will continue to be a finding as the Board and administration feel it is better to have outside sources prepare the year-end financial statements.

Anticipated Completion Date: Ongoing

2022-003 FINDING: Proposition of Journal Entries – Material Weakness

Responsible Individual: Ambrosia Ermenc, Business Manager

Corrective Action Plan: Ledger accounts are balanced quarterly, with some balanced as part of the month-end process.

Anticipated Completion Date: Ongoing

2022-004 FINDING: Debt Covenant Noncompliance – Material Weakness

Responsible Individual: Ambrosia Ermenc, Business Manager

Corrective Action Plan: The required changes will be resolved in the next fiscal year. Until debt covenant compliance is restored, payments have been and will continue to be made when due.

Since US Bank has not required us to set this escrow account up, it has not been a priority for the district to do so.

Anticipated Completion Date: Ongoing

2022-005 FINDING: Untimely Filing of Data Collection Form – Significant Deficiency

Responsible Individual: Ambrosia Ermenc, Business Manager

Corrective Action Plan: The district agrees with the finding and accepts the risk. This will continue until the district completes audits within 9 months after the fiscal year end and submitted to the federal audit clearinghouse and ND DPI.

Anticipated Completion Date: Ongoing

2022-006 FINDING: Allowable Costs/Costs Principals ESSER– Material Weakness

Responsible Individual: Ambrosia Ermenc, Business Manager

Corrective Action Plan: The district will create/implement requirements within policy and internal controls for time allocation/time logs to be utilized for every staff member salaried out of federal funds.

Anticipated Completion Date: Ongoing

2022-007 FINDING: Allowable Costs/Costs Principals Title I– Material Weakness

Responsible Individual: Ambrosia Ermenc, Business Manager

Corrective Action Plan: The district will create requirements within policy and internal controls for time allocation/time logs to be utilized for every staff member salaried out of federal funds.

Anticipated Completion Date: Ongoing