

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
KILLDEER, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Killdeer Public School District No. 16
Killdeer, North Dakota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Killdeer Public School District No. 16, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Killdeer Public School District No. 16's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Killdeer Public School District No. 16, as of June 30, 2022, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Killdeer Public School District No. 16, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Killdeer Public School District No. 16's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of district's contributions to the TFFR and NDPERS pension plans, schedule of district's contributions to the NDPERS OPEB plan, schedule of district's proportionate share of net pension liability, schedule of district's share of net OPEB liability, and notes to 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2023 on our consideration of Killdeer Public School District No. 16's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Killdeer Public School District No. 16's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Killdeer Public School District No. 16's internal control over financial reporting and compliance.



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

October 9, 2023

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 18,490,775
Investments	1,868,163
Accounts receivable, net	1,043
Interest receivable	1,100
Taxes receivable	128,303
Due from other governments	259,965
Capital assets	
Land and buildings	11,460,528
Building improvements	2,608,962
Vehicles	1,897,926
Furniture and equipment	2,246,261
Construction in process	27,982,635
Less accumulated depreciation	<u>(7,685,629)</u>
Total capital assets, net of depreciation	<u>38,510,683</u>
Total Assets	59,260,032
Deferred Outflows of Resources	
Derived from pension	3,118,678
Derived from OPEB	<u>29,138</u>
Total Deferred Outflows of Resources	3,147,816
Liabilities	
Accounts payable	1,042,419
Salaries and benefits payable	492,869
Long-term liabilities	
Net pension liability	6,455,868
Net OPEB liability	39,321
General obligation bonds payable	<u>27,318,043</u>
Total Liabilities	35,348,520
Deferred Inflows of Resources	
Derived from pension	3,756,540
Derived from OPEB	<u>25,336</u>
Total Deferred Inflows of Resources	3,781,876
Net Position	
Net investment in capital assets	11,192,640
Restricted for	
Student activities	334,125
Capital projects	13,898,152
Special reserve	651,152
Debt service	173,502
Unrestricted	<u>(2,972,119)</u>
Total Net Position	<u><u>\$ 23,277,452</u></u>

See Notes to the Financial Statements

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

		Program Revenues			Net (Expense)
					Revenue and
					Changes in
					Net Position

See Notes to the Financial Statements

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2022

	<u>Major Funds</u>		<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 3,194,531	\$14,901,793	\$ 394,451	\$ 18,490,775
Investments	1,342,411	-	525,752	1,868,163
Accounts receivable	1,043	-	-	1,043
Interest receivable	700	-	400	1,100
Taxes receivable	75,412	13,596	39,295	128,303
Due from other funds	1,023	-	-	1,023
Due from other governments	259,965	-	-	259,965
TOTAL ASSETS	<u>\$ 4,875,085</u>	<u>\$14,915,389</u>	<u>\$ 959,898</u>	<u>\$ 20,750,372</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 25,182	\$ 1,017,237	\$ -	\$ 1,042,419
Due to other funds	68	-	955	1,023
Salaries and benefits payable	492,869	-	-	492,869
Total liabilities	<u>518,119</u>	<u>1,017,237</u>	<u>955</u>	<u>1,536,311</u>
Deferred inflows of resources:				
Unavailable property taxes	<u>68,866</u>	<u>12,386</u>	<u>36,900</u>	<u>118,152</u>
Total liabilities and deferred inflows of resources	<u>586,985</u>	<u>1,029,623</u>	<u>37,855</u>	<u>1,654,463</u>
Fund balances:				
Restricted for student activities	334,125	-	-	334,125
Restricted for capital projects	-	13,885,766	-	13,885,766
Restricted for special reserve	-	-	651,152	651,152
Restricted for debt service	-	-	136,602	136,602
Assigned for:				
Food service	-	-	134,289	134,289
Unassigned	3,953,975	-	-	3,953,975
Total fund balances	<u>4,288,100</u>	<u>13,885,766</u>	<u>922,043</u>	<u>19,095,909</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,875,085</u>	<u>\$14,915,389</u>	<u>\$ 959,898</u>	<u>\$ 20,750,372</u>

See Notes to the Financial Statements

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2022

Total fund balances - governmental funds	\$	19,095,909
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Cost	46,196,312	
Accumulated Depreciation	<u>(7,685,629)</u>	38,510,683

Deferred outflows of resources are not a financial resource available for the current period, and therefore, are not reported in the governmental funds balance sheet.

3,147,816

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.

(3,781,876)

Property taxes receivable will be collected this year but are not available soon enough to pay for the current period expenditures, and therefore are deferred in the funds.

118,152

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Balances at June 30, 2021 are:

General obligation bonds payable	(27,318,043)	
Net pension liability	(6,455,868)	
Net OPEB liability	<u>(39,321)</u>	<u>(33,813,232)</u>

Net position of governmental activities	\$	<u>23,277,452</u>
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KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Major Funds</u>		<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
Revenues:				
Property taxes	\$ 2,956,842	\$ 523,569	\$ 1,549,246	\$ 5,029,657
Oil & gas production taxes	2,399,009	-	-	2,399,009
Local aid	688,120	2,124,830	-	2,812,950
State aid	3,657,823	-	1,172	3,658,995
Federal aid	1,390,214	-	428,207	1,818,421
Fees and charges	662,793	75,765	12,646	751,204
Earnings on investments	115,372	-	888	116,260
Miscellaneous	28,583	-	267	28,850
Total Revenues	11,898,756	2,724,164	1,992,426	16,615,346
Expenditures				
Current				
Instruction	5,953,277	-	-	5,953,277
Instructional staff	322,100	-	-	322,100
General administration	360,170	-	-	360,170
School administration	269,054	-	-	269,054
Business administration	402,890	-	-	402,890
Operation and maintenance	690,855	-	-	690,855
Student transportation	523,253	-	-	523,253
Other support services	24,649	-	-	24,649
Food service	992	-	403,034	404,026
Adult education/community services	310,971	-	-	310,971
Student activities	748,886	-	-	748,886
Facilities acquisition	-	8,072	-	8,072
Building construction	-	281,365	-	281,365
Capital outlay	113,019	22,264,435	-	22,377,454
Debt service				
Principal	-	-	870,000	870,000
Interest and fees	-	55,513	628,013	683,526
Total expenditures	9,720,116	22,609,385	1,901,047	34,230,548
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,178,640	(19,885,221)	91,379	(17,615,202)
Other Financing Sources (Uses)				
Issuance of Bonds	-	4,500,000	-	4,500,000
Premiums on Issuance of Bonds	-	72,146	-	72,146
Total other financing sources (uses)	-	4,572,146	-	4,572,146
Net Change in Fund Balances	2,178,640	(15,313,075)	91,379	(13,043,056)
Fund Balances, Beginning of Year	2,109,460	29,198,841	830,664	32,138,965
Fund Balances, End of Year	\$ 4,288,100	\$ 13,885,766	\$ 922,043	\$ 19,095,909

See Notes to the Financial Statements

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Net change in fund balances - total governmental funds \$ (13,043,056)

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 and reported as depreciation expense. This is the amount by which purchases exceeded depreciation.

Capital assets purchased in the current period	22,377,454	
Depreciation expense of capital assets reported	<u>(585,576)</u>	21,791,878

The proceeds from bond issuances and related premiums are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect net position but the repayment and premium amortization reduces long-term liabilities.

Debt issued	(4,500,000)	
Bond premiums	(72,146)	
Debt repaid	870,000	
Amortization	87,060	

Governmental funds report pension and OPEB expenditures as accrued for actual benefits paid in the expenditures. However in the statement of activities, the pension expense is an actuarial calculation of the cost of the plan accounting for projected future benefits, plan earnings, and contributions. (6,382)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds. Deferred tax revenues decreased by this amount this year. (2,016)

Change in net position of governmental activities \$ 5,125,338

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Killdeer Public School District No. 16 complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Reporting Entity

In accordance with Governmental Accounting Standards Board Statement No. 14 *The Financial Reporting Entity*, for financial reporting purposes the District's financial statements include all accounts of the District's operations. The criteria for including organizations as component units within the District's reporting entity include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The District holds the corporate powers of the organization
- The District appoints a voting majority of the organization's board
- The District is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the District
- There is a fiscal dependency by the organization on the District

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

Basis of Presentation

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

Government-Wide Financial Statements

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements display information about the District as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are supported by taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Currently, the District does not classify any activities as business-type.

The statement of net position presents the financial condition of the governmental activities of the District at year-end.

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

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

Fund Financial Statements

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

Fund Accounting

The District's funds consist of the following:

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

General Fund:

The General Fund is the main operating fund of the District. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Capital Projects Fund:

This fund accounts for financial resources dedicated to the construction of new school buildings, additions to old school buildings, and the making of major repairs to existing buildings.

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

Special Reserve Fund:

This fund is allowed under North Dakota state law and may levy a tax to be used if the general fund has funds insufficient to pay for teacher salaries, heat, lights and fuel.

Debt Service Fund:

This fund is used to account for the accumulation of resources for, and the payment of principal and interest on the District's general obligation bonds.

Food Service Fund:

This fund is accounts for the resources associated with the District's hot lunch program.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

Fund Financial Statements

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

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

Basis of Accounting

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

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

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

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for services, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

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

Interfund Transactions

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of governmental funds.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

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

Encumbrance Accounting

Encumbrances are commitments related to unperformed contracts for goods and services that may be recorded for budgetary control purposes. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. No reservation of fund balances is provided at year-end.

Cash and Cash Equivalents

Cash and cash equivalents consist of amounts in demand deposits.

Credit Risk

The District 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.

Leases

The District is the lessor in multiple short-term leases for staff housing and building space. 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 lessee is reasonably certain to exercise. The District has elected to record rent revenue for short term leases on a straight-line basis over the lease term.

Capital Assets

Capital assets include buildings, building improvements, vehicles, machinery and equipment, and furniture and fixtures and are reported in the government-wide financial statements. Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more and a useful life of more than one year. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

Buildings	70 years
Building Improvements	20 years
Vehicles	5-10 years
Machinery and Equipment	5-10 years
Furniture and Fixtures	5-10 years

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Any new indebtedness that may be issued in the future, bond premiums and discounts will be deferred and amortized over the life of the bonds. Bond issuance costs are recognized in the current period.

In the fund financial statements, governmental fund types recognize bond premium, discounts, and issuance costs in the current period. The face amount of the debt is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing sources and uses. Issuance costs are reported as debt service expenditures.

Net Position

Net position represents the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the school board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Balance Classifications

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

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

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

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

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

Assigned – This classification reflects the amounts constrained by the District’s “intent” to be used for special purposes, but are neither restricted nor committed. The school board and superintendent have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

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

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

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section of 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 two items reported on the statement of net position as derived from pension and OPEB, which represent the actuarial differences within the TFFR and NDPERS pension and other post employment benefit plans as well as amounts paid to the plans after the measurement date.

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

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 the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from TFFR and NDPERS’s fiduciary net position have been determined on the same basis as they are reported by TFFR and NDPERS. 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.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

Other Post Employment Benefits (OPEB)

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

Budgets

The School District budget is prepared in accordance with accounting principles generally accepted in the United States of America and the School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The School Board reviews the budget, may make revisions and approves it on or before August 15. The budget must be filed with the County Auditor by October 10.
2. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared except no amendment changing the taxes levied can be made after October 10.
3. The balance of each appropriation becomes a part of the unappropriated balance at year-end.

For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year.

Revenue Recognition – Property Taxes

Under state law, the District is limited in its ability to levy property taxes. All school tax levies are in compliance with state laws. Property taxes attach as an enforceable lien on property on January 1. A 5% reduction is allowed if paid by February 15th. Penalty and interest are added March 1st unless the first half of the taxes has been paid. Additional penalties are added October 15th if not paid. Taxes are collected by the county and remitted monthly to the school.

In its fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end. Taxes receivable consist of current and delinquent uncollected taxes at June 30. No allowance has been established for estimated uncollectible taxes because an offsetting deferred revenue has been recorded.

In the government-wide financial statements, property taxes are recorded as a receivable and revenue when assessed.

Estimates

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

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

NOTE 2 CASH

Deposits

In accordance with North Dakota statutes, the District maintains deposits at 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 entity, and bonds issued by any other state of the United States or such other securities approved by the banking board.

As of June 30, 2022, the District's carrying balances were \$20,358,938. The bank balance of these deposits as of June 30, 2022 was \$22,238,901. Of the bank balances, \$1,000,000 was covered by Federal Depository Insurance and the remaining balance was collateralized with securities pledged by the financial institutions.

Investments

At June 30, 2022, the District's investments were held in certificates of deposit. These investments are reported at amortized cost.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

NOTE 3 CAPITAL ASSETS

Following is a summary of capital asset activity for the year ended June 30, 2022:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities				
Capital Assets, not being Depreciated				
Land	\$ 599,859	\$ -	\$ -	\$ 599,859
Construction in Process	5,851,794	22,130,841	-	27,982,635
Total Capital Assets, not being Depreciated	<u>6,451,653</u>	<u>22,130,841</u>	<u>-</u>	<u>28,582,494</u>
Capital Assets, being Depreciated				
Buildings	10,860,669	-	-	10,860,669
Building Improvements	2,490,147	118,815	-	2,608,962
Vehicles	1,801,581	96,345	-	1,897,926
Furniture and Equipment	2,214,808	31,453	-	2,246,261
Total Capital Assets, being Depreciated	<u>17,367,205</u>	<u>246,613</u>	<u>-</u>	<u>17,613,818</u>
Accumulated Depreciation				
Buildings	3,147,052	238,776	-	3,385,828
Building Improvements	671,002	169,781	-	840,783
Vehicles	1,305,435	100,266	-	1,405,701
Furniture and Equipment	1,976,564	76,753	-	2,053,317
Total Accumulated Depreciation	<u>7,100,053</u>	<u>585,576</u>	<u>-</u>	<u>7,685,629</u>
Governmental Activities Capital Assets, Net	<u>\$ 16,718,805</u>	<u>\$21,791,878</u>	<u>\$ -</u>	<u>\$ 38,510,683</u>

Depreciation expense for the year ended June 30, 2022 is reported in the government-wide statement of activities as follows:

Governmental Activities	
Instruction	\$ 408,557
School Administration	76,753
Transportation Services	<u>100,266</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 585,576</u>

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

NOTE 4 LONG-TERM DEBT

Following is a summary of long-term debt activity for the year ended June 30, 2022:

	<u>Interest Rate</u>	<u>Maturity</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Series 2013 General Obligation Bonds	0.45%-0.95%	11/1/2022	\$ 50,000	\$ -	\$ (50,000)	\$ -
Series 2020A General Obligation Bonds	2.000% - 5.000%	8/1/2040	12,500,000	-	(465,000)	12,035,000
Series 2021A General Obligation Bonds	1.375% - 5.000%	8/1/2040	9,490,000	-	(355,000)	9,135,000
Series 2022A General Obligation Bonds	2.500% - 3.500%	8/1/2041	-	4,500,000	-	4,500,000
Series 2020A Bond Premium			1,079,453	-	(56,512)	1,022,941
Series 2021A Bond Premium			583,504	-	(30,548)	552,956
Series 2022A Bond Premium			-	72,146	-	72,146
Total			<u>\$23,702,957</u>	<u>\$ 4,572,146</u>	<u>\$ (957,060)</u>	<u>\$27,318,043</u>

Debt service requirements on long-term debt at June 30, 2022 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ -	\$ 377,390	\$ 377,390
2024	1,025,000	706,138	1,731,138
2025	1,085,000	656,938	1,741,938
2026	1,135,000	605,663	1,740,663
2027	1,185,000	552,475	1,737,475
2028-2032	6,715,000	2,023,303	8,738,303
2033-2037	7,555,000	1,217,228	8,772,228
2038-2042	6,970,000	354,925	7,324,925
Total	<u>\$25,670,000</u>	<u>\$ 6,494,060</u>	<u>\$32,164,060</u>

NOTE 5 DEFINED BENEFIT PENSION PLANS – STATEWIDE

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.

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

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

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

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

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

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

At June 30, 2022, the District reported a liability of \$5,525,396 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 0.524403 percent which was an increase of 0.012873 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Employer recognized pension expense of \$424,572. At June 30, 2022, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 38,389	\$ 233,021
Changes in actuarial assumptions	194,078	-
Net difference between projected and actual earnings on pension plan investments	-	1,619,021
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,084,807	19,537
Employer contributions subsequent to the measurement date	520,017	-
Total	<u>\$ 1,837,291</u>	<u>\$ 1,871,579</u>

\$520,017 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

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

Year Ending June 30,	Pension Expense Amount
2023	\$ (182,018)
2024	(129,070)
2025	(181,012)
2026	(315,442)
2027	196,430
Thereafter	56,807

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

Actuarial Assumptions

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

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

For active and inactive members, mortality rates were based on the PubT-2010 Employee table, projected 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%

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

Discount Rate

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

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	6.25%	7.25%	8.25%
School's proportionate share of the TFR net pension liability:	\$ 8,296,590	\$ 5,525,396	\$ 3,224,204

Pension plan fiduciary net position.

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

North Dakota Public Employees Retirement System (Main System)

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

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

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

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

Pension Benefits

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

Member and Employer Contributions

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

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

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

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 \$930,472 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2021, the District's proportion was 0.089271 percent which was a decrease of 0.003733 percent from its proportion measured as of July 1, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$180,076. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 16,064	\$ 94,967
Changes in actuarial assumptions	1,029,852	1,342,712
Net difference between projected and actual earnings on pension plan investments	-	345,097
Changes in proportion and differences between employer contributions and proportionate share of contributions	159,648	102,186
Employer contributions subsequent to the measurement date	75,826	-
Total	<u>\$ 1,281,390</u>	<u>\$ 1,884,962</u>

\$75,826 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

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

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2023	\$ (57,512)
2024	(130,181)
2025	(146,502)
2026	(345,203)
2027	-
Thereafter	-

Actuarial Assumptions

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30%	6.00%
International Equity	21%	6.70%
Private Equity	7%	9.50%
Domestic Fixed Income	23%	0.73%
Global Real Assets	19%	4.77%

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

Discount Rate

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

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

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

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

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	6.00%	7.00%	8.00%
School's proportionate share of the NDPERS net pension liability:	\$ 1,149,763	\$ 930,472	\$ 473,101

Pension Plan Fiduciary Net Position

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

NOTE 6 DEFINED BENEFIT OPEB PLAN

Defined Benefit OPEB Plan

North Dakota Public Employees Retirement System

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

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

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

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

OPEB Benefits

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

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

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

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

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

At June 30, 2022, the District reported a liability of \$39,321 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2021, the District's proportion was 0.070699 percent which was a decrease of 0.019299 percent from its proportion measured as of July 1, 2020.

For the year ended June 30, 2022, the District recognized OPEB expense of \$6,299. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,258	\$ 1,078
Changes in actuarial assumptions	6,089	-
Net difference between projected and actual earnings on OPEB plan investments	-	13,472
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,960	10,786
Employer contributions subsequent to the measurement date	6,831	-
Total	<u>\$ 29,138</u>	<u>\$ 25,336</u>

\$6,831 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023.

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

Year Ending June 30,	OPEB Expense Amount
2023	\$ 111
2024	14
2025	(590)
2026	(2,545)
2027	(19)
Thereafter	-

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

Actuarial Assumptions

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	5.85%
Small Cap Domestic Equities	6%	6.75%
Domestic Fixed Income	26%	6.25%
International Equities	35%	0.50%

Discount rate.

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

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate.

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	5.50%	6.50%	7.50%
District's proportionate share of the net OPEB liability:	\$ 53,318	\$ 39,321	\$ 23,247

NOTE 7 RISK MANAGEMENT

The Killdeer Public School District No. 16 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986 state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Killdeer Public School District No. 16 pays an annual premium to NDIRF for its general insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence.

The District continues to carry commercial insurance for all other risks of loss, including workers' compensation, North Dakota fire and tornado fund, and employee health and accident insurance. Any settled claims from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 8 PURCHASE COMMITMENTS

The District has entered into a contract totaling \$35,184,105 for services in connection with construction of a new school building. As of June 30, 2022, \$24,157,315 has been paid on this contract.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

NOTE 9 NEW PRONOUNCEMENTS

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

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

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

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

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

- 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

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

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

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

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

NOTE 10 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through October 9, 2023, which is the date these financial statements were available to be issued.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Original/Final Budget	Actual	Variance with Final Budget
Revenue			
Property Taxes	\$ 3,009,849	\$ 2,956,842	\$ (53,007)
Oil & gas production taxes	1,300,000	2,399,009	1,099,009
Local aid	898,471	688,120	(210,351)
State aid	4,115,355	3,657,823	(457,532)
Federal aid	178,303	1,390,214	1,211,911
Fees and charges	320,000	354,387	34,387
Earnings on investments	130,000	115,372	(14,628)
Miscellaneous	25,000	28,583	3,583
Total Revenues	9,976,978	11,590,350	1,613,372
Expenditures			
Current			
Instruction	6,329,368	5,953,277	(376,091)
Instructional staff	249,716	322,100	72,384
General administration	353,500	360,170	6,670
School administration	282,015	269,054	(12,961)
Business administration	447,044	402,890	(44,154)
Operation and maintenance	719,318	690,855	(28,463)
Student transportation	647,959	523,253	(124,706)
Other support services	24,649	24,649	-
Food service	-	992	992
Adult education/community services	316,998	310,971	(6,027)
Student activities	370,117	356,312	(13,805)
Capital outlay	-	113,019	113,019
Total expenditures	9,740,684	9,327,542	(413,142)
Net Change in Fund Balance	236,294	2,262,808	2,026,514
Fund Balance, Beginning of Year	1,691,167	1,691,167	-
Fund Balances, End of Year	<u>\$ 1,927,461</u>	3,953,975	<u>\$ 2,026,514</u>
Other General Funds:			
Student Activity Fund		<u>334,125</u>	
Total General Fund		<u>\$ 4,288,100</u>	

See Notes to the Required Supplementary Information

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE TFFR AND NDPERS PENSION PLANS
LAST 10 YEARS (PRESENTED PROSPECTIVELY)

Teachers Fund for Retirement

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2022	\$ 520,017	\$ (520,017)	\$ -	\$ 4,078,553	12.75%
2021	515,312	(515,312)	-	4,041,644	12.75%
2020	475,885	(475,885)	-	3,732,429	12.75%
2019	390,736	(390,736)	-	3,064,597	12.75%
2018	367,531	(367,531)	-	2,882,595	12.75%
2017	348,155	(348,155)	-	2,730,627	12.75%
2016	336,110	(336,110)	-	2,636,155	12.75%
2015	325,438	(325,438)	-	2,552,580	12.75%

North Dakota Public Employees Retirement System

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2022	\$ 75,826	\$ (75,826)	\$ -	\$ 1,006,174	7.54%
2021	75,024	(75,024)	-	1,078,012	6.96%
2020	72,646	(75,887)	(3,241)	1,025,945	7.66%
2019	75,770	(72,158)	3,612	1,040,707	6.93%
2018	57,037	(53,118)	3,919	774,387	6.86%
2017	44,387	(44,795)	(408)	612,130	7.32%
2016	45,387	(52,950)	(7,563)	626,915	8.45%
2015	52,650	(51,527)	1,123	693,144	7.43%

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

See Notes to the Required Supplementary Information

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE NDPERS OPEB PLAN
LAST 10 YEARS (PRESENTED PROSPECTIVELY)

North Dakota Public Employees Retirement System - OPEB

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2022	\$ 6,831	\$ (6,831)	\$ -	\$ 601,907	1.13%
2021	11,842	(11,842)	-	1,078,012	1.10%
2020	12,053	(12,578)	(525)	1,025,945	1.17%
2019	12,103	(11,553)	550	1,040,707	1.16%
2018	9,083	(8,505)	578	774,387	1.17%

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

See Notes to the Required Supplementary Information

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 YEARS (PRESENTED PROSPECTIVELY)

Teachers Fund for Retirement

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered- Employee Payroll	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	0.524403%	\$ 5,525,396	\$ 4,041,570	136.71%	75.70%
2021	0.511529%	7,828,975	3,732,429	209.76%	63.40%
2020	0.436846%	6,016,472	3,064,597	196.32%	65.50%
2019	0.424030%	5,561,719	2,882,595	192.94%	65.50%
2018	0.404554%	5,556,660	2,730,627	203.49%	63.20%
2017	0.405734%	5,944,242	2,636,155	225.49%	59.20%
2016	0.414983%	5,427,377	2,552,580	212.62%	62.10%
2015	0.400383%	4,195,304	2,322,433	180.64%	66.60%

North Dakota Public Employees Retirement System

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered- Employee Payroll	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	0.089270%	\$ 930,472	\$ 1,010,900	92.04%	78.26%
2021	0.093004%	2,925,926	1,025,945	285.19%	48.91%
2020	0.100052%	1,172,682	1,040,707	112.68%	71.66%
2019	0.075380%	1,272,120	774,387	164.27%	62.80%
2018	0.059963%	963,802	612,130	157.45%	61.98%
2017	0.062208%	606,278	626,915	92.15%	61.98%
2016	0.077805%	529,061	693,144	72.04%	70.46%
2015	0.066835%	424,216	562,999	74.71%	77.15%

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

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

See Notes to the Required Supplementary Information

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
LAST 10 YEARS (PRESENTED PROSPECTIVELY)

North Dakota Public Employees Retirement System - OPEB

For the Fiscal Year Ended June 30	District's Proportion of the Net OPEB Liability (Asset)	District's Proportionate Share of the Net OPEB Liability (Asset)	District's Covered- Employee Payroll	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered- employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2022	0.070699%	\$ 39,321	\$ 770,796	5.10%	76.63%
2021	0.089998%	75,706	1,025,945	7.38%	63.38%
2020	0.093265%	74,909	1,040,707	7.20%	63.13%
2019	0.070771%	55,737	774,387	7.20%	61.89%
2018	0.056582%	44,757	612,130	7.31%	59.78%

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

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

See Notes to the Required Supplementary Information

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 BUDGETARY COMPARISON

The District adopts an annual budget consistent with accounting principles generally accepted in the United States for the general fund only. The following procedures are used in establishing the budgetary data reflected in the financial statements:

- The annual budget must be prepared and school district taxes must be levied on or before August 15 each year.
- The taxes levied must be certified to the county auditor by October 10.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the business manager at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- The balance of each appropriation becomes a part of the unappropriated fund balance at year-end.

NOTE 2 CHANGES OF BENEFIT TERMS AND ASSUMPTIONS

TFFR

Changes of Assumptions

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.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2022

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

NDPERS

Changes of benefit terms.

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

Changes of assumptions.

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

OPEB

Changes of benefit terms.

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

Changes of assumptions.

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

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
SCHEDULE OF EXPENITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

<i>Federal Grantor\Pass-through Grantor\Program or Cluster Title</i>	<i>Federal AL Number</i>	<i>Pass-through Grantor Number</i>	<i>Federal Expenditures (\$)</i>
United States Department of Agriculture			
Passed through North Dakota Department of Public Instruction			
Child Nutrition Cluster-Cluster			
School Breakfast Program	10.553	F10553	\$ 60,741
National School Lunch Program	10.555	F10555	316,392
National School Lunch Program	10.555	F10555C	2,625
National School Lunch Program	10.555	F10555S	14,985
Food Distribution-Non Cash	10.555	F10555	30,649
Total Child Nutrition Cluster-Cluster			<u>425,392</u>
State Administrative Expenses for Child Nutrition	10.560	F10560	2,202
Pandemic EBT Administrative Costs	10.649	F10649	614
Total Passed through North Dakota Department of Public Instruction			<u>428,208</u>
Total United States Department of Agriculture			<u>428,208</u>
Department of Education			
Passed through North Dakota Department of Public Instruction			
Title I Grants to Local Educational Agencies	84.010	F84010	122,459
Title III English Language Learners	84.365A	F84365A	26,348
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	F84367	76,974
COVID-19 Education Stabilization Fund	84.425D	F84425D	209,043
COVID-19 Education Stabilization Fund	84.425U	F84425U	895,439
Total 84.425			<u>1,104,482</u>
Total Passed through North Dakota Department of Public Instruction			<u>1,330,263</u>
Passed through North Dakota Dept. of Career and Technical Education			
Career and Technical Education -- Basic Grants to States	84.048	N/A	<u>32,497</u>
Total Passed through North Dakota Dept. of Career and Technical Education			<u>32,497</u>
Direct Program			
Rural Education	84.358A	N/A	<u>27,453</u>
Total Direct Program			<u>27,453</u>
Total Department of Education			<u>1,390,213</u>
Total Expenditures of Federal Awards			<u>\$ 1,818,421</u>

See Notes to the Schedule of Expenditures of Federal Awards

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 – INDIRECT COST RATE

Killdeer Public School District No. 16 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 Schedule includes the federal award activity of the Killdeer Public School District No. 16 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*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE 4 – PASS-THROUGH ENTITIES

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

**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**

Governing Board
Killdeer Public School District No. 16
Killdeer, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Killdeer Public School District No. 16 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 October 9, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Killdeer Public School District No. 16'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 Killdeer Public School District No. 16's internal control. Accordingly, we do not express an opinion on the effectiveness of Killdeer Public School District No. 16'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 another deficiency that we consider to be a significant deficiency.

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 deficiencies 2022-002 through 2022-004 described in the accompanying schedule of findings and questioned costs 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 deficiency 2022-001 described in the accompanying schedule of findings and questioned costs to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Killdeer Public School District No. 16's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Killdeer Public School District No. 16's Response to Findings

Government Auditing Standards required the auditor to perform limited procedures on the District's responses to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Killdeer Public School District No. 16'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 & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

October 9, 2023

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

Governing Board
Killdeer Public School District No. 16
Killdeer, North Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Killdeer Public School District No. 16'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 Killdeer Public School District No. 16's major federal programs for the year ended June 30, 2022. Killdeer Public School District No. 16'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, Killdeer Public School District No. 16 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 Killdeer Public School District No. 16 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 Killdeer Public School District No. 16's compliance with the compliance requirements referred to above.

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 Killdeer Public School District No. 16'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 Killdeer Public School District No. 16'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 Killdeer Public School District No. 16'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 Killdeer Public School District No. 16'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 Killdeer Public School District No. 16'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 Killdeer Public School District No. 16's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-005. Our opinion is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the Killdeer Public School District No. 16's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. Killdeer Public School District No. 16's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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 Killdeer Public School District No. 16's, response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. Killdeer Public School District No. 16's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

A handwritten signature in black ink that reads "Brady Martz". The signature is written in a cursive, flowing style.

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

October 9, 2023

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
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 that are
not considered to be material weaknesses? x yes none reported

Non-compliance material to financial
statements noted? yes x no

Federal Awards

Internal control over major programs:
Material weakness(es) identified? yes x no
Significant deficiency(ies) identified that are
not considered to be material weaknesses? 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

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425	Education Stabilization Fund

Dollar threshold used to distinguish
between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes x no

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2022-001: Segregation of Duties – Significant Deficiency

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 its 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

We are aware of the condition and have implemented controls such as reviews and approvals where feasible. Additionally, upon the arrival of the new Superintendent and Business manager there has been more oversight, collaboration and transparency between the two offices and the school board. The business manager has created efficiencies not experienced prior to her arrival. There is significantly more organization, attention to detail and cross-training that causes orderly and organized workings of the business office and more opportunity for oversight. Additionally, all financial reports are now posted on the school website for public examination.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
SCHEDULE OF FINDINGS AND QUESTIONED - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2022

Finding 2022-002: Preparation of the Financial Statements – Material Weakness

Criteria

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

Condition

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

Cause

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

Effect

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

The District is aware that someone needs to review the audit report each year to make sure the financial statements and note disclosures are a fair presentation for the District. The board is encouraged to ask follow-up questions and gain a deeper understanding of the audit report.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2022

Finding 2022-003: 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, adjusting entries 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 adjustments 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

Efforts will be made to ensure all activities are properly recorded. The new bank reconciliation process will also ensure proper journal entries are made as the general ledger is balanced each month.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2022

Finding 2022-004: Bank Reconciliations – Material Weakness

Criteria

Bank balances on June 30, 2022 did not reconcile with the general ledger prior to audit adjustments.

Condition

A good system of internal controls requires that bank balances be reconciled with the general ledger on a monthly basis.

Cause

The District's internal controls have not been designed to reconcile bank balances with the general ledger.

Effect

The District's cash balances were materially misstated prior to audit adjustments.

Recommendation

We recommend the District implement a process for review and reconciliation of all bank accounts on a monthly basis.

Views of Responsible Officials and Planned Corrective Actions

The Superintendent and Business Manager will meet monthly to review bank statements and reconciliation reports to ensure accuracy. The Business Manager will provide a balanced reconciliation report to the Superintendent for sign off and the reconciliation report will be included in the monthly school board meeting packet for proper oversight.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2022

SECTION III – FEDERAL AWARD FINDINGS

Finding 2022-005

Federal Program

All major programs

Criteria

As a matter of grant compliance, the data collection form and reporting package must be submitted to the Federal Clearinghouse within 30 days after the receipt of the auditor's report or within nine months after the end of the audit period

Condition

The June 30, 2022 data collection form was not filed timely.

Cause

There was a delay in the audit being completed.

Effect

The District is not in compliance with Uniform Guidance requirements.

Recommendation

We recommend the District take the necessary procedures to ensure that future single audits are completed within the required time periods of the Uniform Guidance.

Views of Responsible Officials

We concur with the auditor's finding and will take action to ensure timely reporting in the future.

Indication of Repeat Finding

No.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

Finding 2021-001: Segregation of Duties – Significant Deficiency

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 its 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

We are aware of the condition and have implemented controls such as reviews and approvals where feasible. Additionally, upon the arrival of the new Superintendent and Business manager there has been more oversight, collaboration and transparency between the two offices and the school board. The business manager has created efficiencies not experienced prior to her arrival. There is significantly more organization, attention to detail and cross-training that causes orderly and organized workings of the business office and more opportunity for oversight. Additionally, all financial reports are now posted on the school website for public examination.

Corrective Action Take

See current year finding 2022-001.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2022

Finding 2021-002: Preparation of the Financial Statements – Material Weakness

Criteria

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

Condition

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

Cause

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

Effect

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

The District is aware that someone needs to review the audit report each year to make sure the financial statements and note disclosures are a fair presentation for the District. The board is encouraged to ask follow-up questions and gain a deeper understanding of the audit report.

Corrective Action Take

See current year finding 2022-002.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2022

Finding 2021-003: 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, adjusting entries 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 adjustments 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

Efforts will be made to ensure all activities are properly recorded. The new bank reconciliation process will also ensure proper journal entries are made as the general ledger is balanced each month.

Corrective Action Take

See current year finding 2022-003.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2022

Finding 2021-004: Bank Reconciliations – Material Weakness

Criteria

Bank balances on June 30, 2021 did not reconcile with the general ledger prior to audit adjustments.

Condition

A good system of internal controls requires that bank balances be reconciled with the general ledger on a monthly basis.

Cause

The District's internal controls have not been designed to reconcile bank balances with the general ledger.

Effect

The District's cash balances were materially misstated prior to audit adjustments.

Recommendation

We recommend the District implement a process for review and reconciliation of all bank accounts on a monthly basis.

Views of Responsible Officials and Planned Corrective Actions

The Superintendent and Business Manager will meet monthly to review bank statements and reconciliation reports to ensure accuracy. The Business Manager will provide a balanced reconciliation report to the Superintendent for sign off and the reconciliation report will be included in the monthly school board meeting packet for proper oversight.

Corrective Action Take

See current year finding 2022-004.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2022

Finding 2021-005: Failure to Remit Payroll Taxes – Material Weakness

Criteria

The District did not remit payroll taxes to the IRS on a timely basis during 2021.

Condition

A proper system of internal control over financial reporting includes a process designed to ensure that all obligations of the District are paid timely.

Cause

The District does not have an internal control process in place to ensure that payroll tax deposits are made timely.

Effect

The control deficiency resulted in the District being assessed IRS penalties and interest.

Recommendation

The District should review its current cash disbursement processes to ensure payroll tax deposits are made timely.

Views of Responsible Officials and Planned Corrective Actions

Since the new Business Manager started with the district, cross-training amongst Business Office personnel has occurred. The Payroll Specialist processes payroll, including payroll tax payments. With each payroll, the Business Manager receives EFTPS email confirmations that payroll tax payments have been made. Also, the Business Manager files quarterly Form 941s with the IRS and double checks to ensure all required payments were made for the quarter. The proper monthly bank reconciliation process will also ensure all ACH payments were made.

Corrective Action Taken

No current year finding. Payroll taxes were remitted timely for the year ending June 30, 2022.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2022

Finding 2021-006: Public Improvements (Bids)

Criteria

Under North Dakota Century Code Chapter 48-01.2, a state or political subdivision must comply with various bid advertising, opening and approval requirements for construction of a public improvement in excess of \$200,000.

Condition

The District was unable to provide adequate bid documentation relating to the construction of its new school.

Cause

The District does not have an internal control process in place to ensure compliance with State bid requirements.

Effect

The control deficiency could result in legal noncompliance.

Recommendation

The District should review its current processes to ensure that bids are properly advertised, opened and approved, and that adequate bid documentation is maintained.

Views of Responsible Officials and Planned Corrective Actions

The District will review the North Dakota School Board Association Policy HCAB-Bidding Requirements and Procedures and Policy HCAA-Purchasing and update as needed. School board members, the Superintendent and the Business Manager will be trained to the updated version of both policies to ensure future compliance to bidding requirements.

Corrective Action Taken

There were no public improvements for the year ending June 20, 2022 subject to the requirements above.

Killdeer Public School District No. 16

Administration

Jeff Simmons, Superintendent
Karter Kleeman, HS Principal
Andrew Cook, Elem Principal
Rhonda Zastoupil, Business Manager



School Board

Levi Bang, President
April Dutchuk, Vice-President
Larry Lundberg, Member
Scott Bice, Member
Kelli Schollmeyer, Member

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2022

2022-001

Contact Person

Rhonda Zastoupil, Business Manager

Planned Corrective Action

We are aware of the condition and have implemented controls such as reviews and approvals where feasible. Additionally, upon the arrival of the new Superintendent and Business manager there has been more oversight, collaboration and transparency between the two offices and the school board. The business manager has created efficiencies not experienced prior to her arrival. There is significantly more organization, attention to detail and cross-training that causes orderly and organized workings of the business office and more opportunity for oversight. Additionally, all financial reports are now posted on the school website for public examination.

Planned Completion Date

Ongoing

2022-002

Contact Person

Rhonda Zastoupil, Business Manager

Planned Corrective Action

The District is aware that someone needs to review the audit report each year to make sure the financial statements and note disclosures are a fair presentation for the District. The board is encouraged to ask follow-up questions and gain a deeper understanding of the audit report.

Planned Completion Date

Ongoing

Killdeer Public School District No. 16

Administration

Jeff Simmons, Superintendent
Karter Kleeman, HS Principal
Andrew Cook, Elem Principal
Rhonda Zastoupil, Business Manager



School Board

Levi Bang, President
April Dutchuk, Vice-President
Larry Lundberg, Member
Scott Bice, Member
Kelli Schollmeyer, Member

2022-003

Contact Person

Rhonda Zastoupil, Business Manager

Planned Corrective Action

Efforts will be made to ensure all activities are properly recorded. The new bank reconciliation process will also ensure proper journal entries are made as the general ledger is balanced each month.

Planned Completion Date

June 30, 2023

2022-004

Contact Person

Rhonda Zastoupil, Business Manager

Planned Corrective Action

The Superintendent and Business Manager will meet monthly to review bank statements and reconciliation reports to ensure accuracy. The Business Manager will provide a balanced reconciliation report to the Superintendent for sign off and the reconciliation report will be included in the monthly school board meeting packet for proper oversight.

Planned Completion Date

June 30, 2023

2022-005

Contact Person

Rhonda Zastoupil, Business Manager

Planned Corrective Action

The district will implement the auditor's recommendation.

Planned Completion Date

March 31, 2024