



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Kindred Public School District No. 2

Kindred, North Dakota

Audit Report for the Year Ended June 30, 2022

Client Code: PS9390



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Office of the
State Auditor

KINDRED PUBLIC SCHOOL DISTRICT NO. 2

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KINDRED PUBLIC SCHOOL DISTRICT NO. 2

School Officials

June 30, 2022

SCHOOL OFFICIALS

Brian McDonald	President
Jesse Cook	Vice-President
Heidi McQuillan	Board Member
Jim Huesman	Board Member
Joan Halland	Board Member
Mark Richard	Board Member
Robbert Maddock	Board Member
Steve Hall	Superintendent
Melanie Moffet	Business Manager

STATE AUDITOR
Joshua C. Gallion



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INDEPENDENT AUDITOR'S REPORT

School Board of Directors
Kindred Public School District No. 2
Kindred, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kindred Public School District No. 2 Kindred, North Dakota, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Kindred Public School District No.2's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 Kindred Public School District No. 2 Kindred, North Dakota, 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (GAS)*, 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 Kindred Public School District No. 2 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the 2021 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Kindred Public School District No. 2'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 GAAS and GAS 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 our audit in accordance with GAAS and GAS, 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 Kindred Public School District No. 2'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 Kindred Public School District No. 2'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 schedules, schedule of employer's share of net pension liability and employer contributions, schedule of employer's share of net OPEB liability and employer contributions, and notes to the required supplementary information* 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kindred Public School District No. 2's basic financial statements. The *schedule of expenditures of federal awards* and *notes to the 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, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and 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* and *notes to 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 GAS

In accordance with GAS, we have also issued our report dated June 29, 2023 on our consideration of Kindred Public School District No. 2'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 Kindred Public School District No. 2's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with GAS in considering Kindred Public School District No. 2's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
June 29, 2023

KINDRED PUBLIC SCHOOL DISTRICT NO. 2

Statement of Net Position

June 30, 2022

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 21,926,513
Restricted Investment	9,865,860
Due from County	36,114
Accounts Receivable	568
Intergovernmental Receivable	40,570
Taxes Receivable	136,244
Capital Assets	
Nondepreciable	2,628,333
Depreciable, Net	<u>19,298,639</u>
Total Assets	<u>\$ 53,932,841</u>
DEFERRED OUTFLOWS OF RESOURCES	
Derived from Pension & OPEB	<u>\$ 2,377,456</u>
LIABILITIES	
Accounts Payable	\$ 690,781
Salaries & Benefits Payable	536,788
Interest Payable	521,320
Retainages Payable	66,507
Long-Term Liabilities	
Due Within One Year	
Long Term Debt	72,539
Compensated Absences Payable	35,059
Due After One Year	
Long Term Debt	32,478,244
Compensated Absences Payable	105,176
Net Pension & OPEB Liability	<u>6,408,007</u>
Total Liabilities	<u>\$ 40,914,421</u>
DEFERRED INFLOWS OF RESOURCES	
Derived from Pension & OPEB	<u>\$ 3,222,777</u>
NET POSITION	
Net Investment in Capital Assets	\$ (11,145,131)
Restricted	
Debt Service	11,404,600
Building Projects	16,278,587
Student Activities	105,761
Food Services	169,089
Unrestricted	<u>(4,639,807)</u>
Total Net Postion	<u><u>\$ 12,173,099</u></u>

The notes to the financial statements are an integral part of this statement.

KINDRED PUBLIC SCHOOL DISTRICT NO. 2

Statement of Activities

For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenue			Changes in
		Charges for	Operating	Capital	Net Position
		Services	Grants and	Grants and	Governmental
			Contributions	Contributions	Activities
Governmental Activities					
Regular Instruction	\$ 5,602,008	\$ 8,610	\$ 47,242	\$ -	\$ (5,546,156)
Special Education	795,985	-	-	-	(795,985)
Vocational Education	272,226	-	-	-	(272,226)
Federal Programs	356,982	-	398,620	-	41,638
District Wide Services	542,342	-	-	-	(542,342)
Administration	997,872	-	-	-	(997,872)
School Food Services	536,098	44,900	565,440	-	74,242
Operations and Maintenance	1,269,658	-	-	-	(1,269,658)
Transportation	468,103	-	249,678	-	(218,425)
Co-Curricular Activities	991,917	346,290	-	1,022,500	376,873
Interest on Long-Term Debt	1,035,952	-	-	-	(1,035,952)
Fiscal Charges	20,494	-	-	-	(20,494)
Total Governmental Activities	\$ 12,889,637	\$ 399,800	\$ 1,260,980	\$ 1,022,500	\$ (10,206,357)
General Revenues					
Property Taxes					\$ 2,997,163
Unrestricted State Grants					7,429,423
Interest Earnings					1,474,196
Miscellaneous Revenue					146,910
Change in Investment Market Value					3,750
Total General Revenues					\$ 12,051,442
Change in Net Position					\$ 1,845,085
Net Position - July 1					\$ 10,485,174
Prior Period Adjustments					\$ (157,160)
Net Position - July 1, as Restated					\$ 10,328,014
Net Position - June 30					\$ 12,173,099

The notes to the financial statements are an integral part of this statement.

KINDRED PUBLIC SCHOOL DISTRICT NO. 2

Balance Sheet – Governmental Funds

June 30, 2022

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 3,204,961	\$ 1,500,365	\$ 16,945,008	\$ 276,179	\$ 21,926,513
Restricted Investment	-	9,865,860	-	-	9,865,860
Due from County	24,054	8,001	4,059	-	36,114
Accounts Receivable	-	-	-	568	568
Intergovernmental Receivable	40,444	-	-	126	40,570
Taxes Receivable	90,366	30,374	15,504	-	136,244
Total Assets	<u>\$ 3,359,825</u>	<u>\$ 11,404,600</u>	<u>\$ 16,964,571</u>	<u>\$ 276,873</u>	<u>\$ 32,005,869</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 67,712	\$ -	\$ 619,477	\$ 3,592	\$ 690,781
Retainage Payable	-	-	66,507	-	66,507
Salaries & Benefits Payable	538,357	-	-	(1,569)	536,788
Total Liabilities	<u>\$ 606,069</u>	<u>\$ -</u>	<u>\$ 685,984</u>	<u>\$ 2,023</u>	<u>\$ 1,294,076</u>
Deferred Inflows of Resources					
Taxes Receivable	\$ 90,366	\$ 30,374	\$ 15,504	\$ -	\$ 136,244
Total Liabilities and Deferred Inflows of Resources	<u>\$ 696,435</u>	<u>\$ 30,374</u>	<u>\$ 701,488</u>	<u>\$ 2,023</u>	<u>\$ 1,430,320</u>
Fund Balances					
Restricted					
Debt Service	\$ -	\$ 11,374,226	\$ -	\$ -	\$ 11,374,226
Capital Projects	-	-	16,263,083	-	16,263,083
Student Activity	-	-	-	105,761	105,761
Assigned					
Food Service	-	-	-	169,089	169,089
Unassigned					
General Fund	2,663,390	-	-	-	2,663,390
Total Fund Balances	<u>\$ 2,663,390</u>	<u>\$ 11,374,226</u>	<u>\$ 16,263,083</u>	<u>\$ 274,850</u>	<u>\$ 30,575,549</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,359,825</u>	<u>\$ 11,404,600</u>	<u>\$ 16,964,571</u>	<u>\$ 276,873</u>	<u>\$ 32,005,869</u>

The notes to the financial statements are an integral part of this statement.

KINDRED PUBLIC SCHOOL DISTRICT NO. 2

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position
June 30, 2022

Total Fund Balances for Governmental Funds			\$ 30,575,549
Total net position reported for governmental activities in the statement of net position is different because:			
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.			21,926,972
Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflow of resources in the funds.			136,244
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.			
Deferred Outflows Related to Pensions & OPEB	\$ 2,377,456		
Deferred Inflows Related to Pensions & OPEB	<u>(3,222,777)</u>	(845,321)	
Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.			
Long Term Debt	\$ (32,550,783)		
Interest Payable	(521,320)		
Net Pension & OPEB Liability	(6,408,007)		
Compensated Absences Payable	<u>(140,235)</u>	<u>(39,620,345)</u>	
Total Net Position of Governmental Activities			<u>\$ 12,173,099</u>

The notes to the financial statements are an integral part of this statement.

KINDRED PUBLIC SCHOOL DISTRICT NO. 2

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2022

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Local Sources	\$ 2,110,378	\$ 2,126,855	\$ 1,373,134	\$ 44,900	\$ 5,655,267
State Sources	7,680,310	-	-	47,459	7,727,769
Federal Sources	398,620	-	-	517,981	916,601
Other Sources	68,851	-	-	346,289	415,140
Total Revenues	\$ 10,258,159	\$ 2,126,855	\$ 1,373,134	\$ 956,629	\$ 14,714,777
EXPENDITURES					
Current					
Regular Instruction	\$ 5,268,803	\$ -	\$ -	\$ -	\$ 5,268,803
Special Education	800,872	-	-	-	800,872
Vocational Education	276,520	-	-	-	276,520
Federal Programs	356,982	-	-	-	356,982
District Wide Services	539,245	-	-	-	539,245
Administration	1,018,844	-	-	-	1,018,844
School Food Services	-	-	-	540,046	540,046
Operations and Maintenance	1,095,964	-	114,396	-	1,210,360
Transportation	384,641	-	-	-	384,641
Co-Curricular Activities	500,135	-	-	350,937	851,072
Capital Outlay	-	-	2,891,111	-	2,891,111
Debt Service					
Interest	132	882,000	-	-	882,132
Fiscal Charges	-	2,650	-	-	2,650
Total Expenditures	\$ 10,242,138	\$ 884,650	\$ 3,005,507	\$ 890,983	\$ 15,023,278
Excess (Deficiency) of Revenues					
Over Expenditures	\$ 16,021	\$ 1,242,205	\$ (1,632,373)	\$ 65,646	\$ (308,501)
OTHER FINANCING SOURCES (USES)					
Bond Proceeds	\$ -	\$ -	\$ 16,400,000	\$ -	\$ 16,400,000
Bond Premium	-	-	1,450,783	-	1,450,783
Underwriters Fee	-	-	(17,844)	-	(17,844)
Change in Investment Market Value	-	3,750	-	-	3,750
Total Other Financing Sources and Uses	\$ -	\$ 3,750	\$ 17,832,939	\$ -	\$ 17,836,689
Net Change in Fund Balances	\$ 16,021	\$ 1,245,955	\$ 16,200,566	\$ 65,646	\$ 17,528,188
Fund Balances - July 1	\$ 2,804,529	\$ 10,128,271	\$ 62,517	\$ 209,204	\$ 13,204,521
Prior Period Adjustment	\$ (157,160)	\$ -	\$ -	\$ -	\$ (157,160)
Fund Balance - July 1, as restated	\$ 2,647,369	\$ 10,128,271	\$ 62,517	\$ 209,204	\$ 13,047,361
Fund Balance - June 30	\$ 2,663,390	\$ 11,374,226	\$ 16,263,083	\$ 274,850	\$ 30,575,549

The notes to the financial statements are an integral part of this statement.

KINDRED PUBLIC SCHOOL DISTRICT NO. 2

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 \$ 17,528,188

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.

Capital Outlay	\$ 2,903,434	
Depreciation Expense	<u>(787,070)</u>	2,116,364

Proceeds from long-term debt provides financial resources to the governmental funds, but increases long-term liabilities in the statement of net position.

Bond Proceeds	\$ (16,400,000)	
Bond Premium	<u>(1,450,783)</u>	(17,850,783)

The Net Pension and OPEB Liability and related Deferred Outflows of Resources and Deferred Inflows of Resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Net Change in Net Pension & OPEB Liability	\$ 3,318,537	
Net Change in Deferred Outflows of Resources Related to Pensions and OPEB	(529,680)	
Net Change in Deferred Inflows of Resources Related to Pensions and OPEB	<u>(2,597,665)</u>	191,192

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Change in Interest Payable	\$ (153,820)	
Net Change in Compensated Absences	<u>(2,251)</u>	(156,071)

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the net change in taxes receivable.

16,195

Change in Net Position of Governmental Activities \$ 1,845,085

The notes to the financial statements are an integral part of this statement.

KINDRED PUBLIC SCHOOL DISTRICT NO. 2

Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Kindred Public School District No. 2, Kindred, North Dakota, ("School District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Reporting Entity

The accompanying financial statements present the activities of the School District. The School District has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationships with the School District such that exclusion would cause the School District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the School District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the School District.

Based on these criteria, there is one blended component unit to be included within the Kindred Public School District No. 2 reporting entity.

Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from this unit is combined with data from the primary government.

Kindred Public School District No. 2 Building Authority ("Building Authority") – The Building Authority was created by the School Board to aid, assist, and foster the planning, development, construction, renovation and improvement of school buildings, furnishings, fixtures, equipment and related facilities for the school district, all for the purpose of securing adequate schools and related facilities. The School Board is the Building Authority Board and they make the operating and financing decisions of the Building Authority. The activities of the building authority are reported in the governmental funds (debt service and building fund).

Basis of Presentation, Basis of Accounting

Government-wide statements: The statement of net position and the statement of activities display information about the School District and the blended component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

Fund Financial Statements. The fund financial statements provide information about the School District's funds including its blended component unit. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The School District reports the following major governmental funds:

General Fund. This is the School District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Debt Service Fund. This fund is used to account for financial resources to be used for payment of long-term debt principal, interest, and related costs.

Capital Projects Fund. This fund accounts for the costs associated with construction of buildings.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. When applicable, proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the School District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the School District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

Cash and Investments

Cash includes amounts in demand deposits, money market accounts, and highly liquid short-term investments with original maturities of three months or less.

Restricted Investments consist of U.S. government-backed securities stated at fair market value.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

Asset	Years
Buildings	50
Vehicles	15
Equipment	5-10
Infrastructure	50

Compensated Absences

At the beginning of the school year, each teacher is given three to four days of personal leave and is able to carry over between five to seven days at the end of the school year, depending on years of service. Upon retirement or resignation, the School District will pay an amount equal to 100% of substitute teachers' pay for accumulated personal days.

Sick leave is earned at the rate of eleven to twelve days per year depending on years of service. Up to 72 days of sick leave may be carried over at each year-end. Employees with a balance in excess of 72 days as of the end of the school year are reimbursed at a rate equivalent to 50% of a substitute teacher's daily pay for all days exceeding 72 days. Upon retirement or resignation, the School District will pay a rate equivalent to 25% of substitute teacher's pay for accumulated sick days.

Vested or accumulated unused personal leave for qualified employees is reported in the government-wide statement of net position.

Long-Term Obligations

In the government-wide financial statements, long term debt and other long-term obligations, such as compensated absences and early retirement payable, are reported in the governmental activities statement of net position. Bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the straight-line method.

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

Pensions

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

Other Post-Employment Benefits (OPEB)

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

Fund Balances

Fund Balance Spending Policy. It is the policy of the School District to spend restricted resources first, followed by unrestricted resources. It is also the policy of the School District to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

Restricted Fund Balances. Restricted fund balances are shown by primary function on the balance sheet. Restricted fund balances are restricted by enabling legislation (primarily state law for tax levies) and by outside 3rd parties (State & Federal governments for various grants & reimbursements).

KINDRED PUBLIC SCHOOL DISTRICT NO. 2
Notes to the Financial Statements – Continued

Assigned Fund Balances. Assigned fund balances are shown by primary function on the balance sheet. Assigned fund balances are spendable or available for appropriation but has been tentatively embarked for some specific purpose by the board designee (such as Business Manager).

Unassigned Fund Balances. Unassigned fund balances are reported in the general fund.

Net Position

Net investment in capital assets is reported for capital assets less accumulated depreciation and any related debt issued to finance/construct them. The resources needed to repay this related debt must be provided from other sources, since capital assets are not used to liquidate these liabilities. These assets are not available for future spending.

Restrictions of net position are due to restricted tax levies and bond indenture requirements for our capital projects/debt service.

Unrestricted net position is primarily unrestricted amounts related to the general fund, and negative net position. Unrestricted net position is available to meet the School District’s ongoing obligations.

Interfund Transactions

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

All other interfund transactions, except reimbursements, are reported as transfers. In the government-wide financial statements, interfund transactions have been eliminated.

NOTE 2 PRIOR PERIOD ADJUSTMENT

Change in Prior Year Audited Statement Amounts

Net position/fund balance as of July 1, 2021 has been restated due to an error in salaries payable. The adjustments to beginning net position/fund balance are below:

Governmental Activities	Amounts
Beginning Net Position, as previously reported	\$ 10,485,174
Adjustment to restate the July 1, 2021 Net Position:	
Salaries Payable	(157,160)
Net Position July 1, 2021, as restated	\$ 10,328,014

General Fund	Amounts
Beginning Fund Balance, as previously reported	\$ 2,804,529
Adjustment to restate the July 1, 2021 Fund Balance:	
Salaries Payable	(157,160)
Fund Balance July 1, 2021, as restated	\$ 2,647,369

NOTE 3 PROPERTY TAXES

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

NOTE 4 RISK MANAGEMENT

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

In 1986 state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), 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 School District pays an annual premium to NDRIF for its general liability, automobile insurance coverage and inland marine. The coverage by NDRIF is limited to losses of ten million dollars per occurrence for general liability and automobile and \$149,414 for mobile equipment and portable property.

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

The School District has worker's compensation with the Workforce, Safety and Insurance and purchases commercial insurance for employee health and accident insurance.

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

NOTE 5 DEPOSITS AND INVESTMENTS

Custodial Credit Risk

Credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution's failure, the School District would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The School District does not have a formal policy regarding deposits that limits the amount they may invest in any one issuer.

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

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

At year ended June 30, 2022, the School District's carrying amount of deposits was \$31,467,469 and the bank balances totaled \$32,187,431. Of the bank balances, \$750,000 was covered by Federal Depository Insurance, \$9,865,860 was held in US Treasury Notes, which is backed by the full faith of the United States Treasury, while the remaining balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The price of a debt security typically moves in the opposite direction of the change in interest rates. The School District does not have a formal deposit policy that limits maturities as a means of managing exposure to potential fair value losses arising from increasing interest rates.

The School 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.
- (e) Commercial paper issued by a United States corporation rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less.

As of June 30, 2022, the School District held investments in US Treasury notes in the amount of \$9,865,860. The market value of the investments and their maturity dates can be seen below:

Investment Type	Total Fair Value	Less Than 1 Year	1-6 Years	6-10 Years *	10 Years **
Government Bonds	\$ 9,865,860	\$ 9,865,860	\$ -	\$ -	\$ -

NOTE 6 FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with GASB Statement No. 72, assets, deferred outflows of resources, liabilities and deferred inflows of resources are grouped at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The following table below presents the balances of assets measured at fair value on a recurring basis at June 30, 2022:

Asset	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
Government Bonds	\$ -	\$ 9,865,860	\$ -	\$ 9,865,860

NOTE 7 CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2022:

	Balance July 1	Increases	Decreases	Transfers	Balance June 30
Capital Assets Not Being Depreciated					
Land	\$ 250,807	\$ -	\$ -	\$ -	\$ 250,807
Construction in Progress	-	2,377,526	-	-	2,377,526
Total Capital Assets, Not Being Depreciated	\$ 250,807	\$ 2,377,526	\$ -	\$ -	\$ 2,628,333
Capital Assets Being Depreciated					
Buildings	\$ 29,031,013	\$ 513,585	\$ -	\$ -	\$ 29,544,598
Equipment	812,283	12,322	-	-	824,605
Vehicles	1,388,645	-	-	-	1,388,645
Total Capital Assets, Being Depreciated	\$ 31,231,941	\$ 525,907	\$ -	\$ -	\$ 31,757,848
Less Accumulated Depreciation					
Buildings	\$ 10,591,807	\$ 657,616	\$ -	\$ -	\$ 11,249,423
Equipment	500,174	48,600	-	-	548,774
Vehicles	580,159	80,853	-	-	661,012
Total Accumulated Depreciation	\$ 11,672,140	\$ 787,069	\$ -	\$ -	\$ 12,459,209
Total Capital Assets Being Depreciated, Net	\$ 19,559,801	\$ (261,162)	\$ -	\$ -	\$ 19,298,639
Governmental Activities Capital Assets, Net	\$ 19,810,608	\$ 2,116,364	\$ -	\$ -	\$ 21,926,972

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

Transportation	\$ 87,354
Regular Instruction	476,411
Operations & Maintenance	78,440
Co-Curricular	141,451
District Wide Services	3,097
Food Services	316
Total Depreciation Expense	\$ 787,069

NOTE 8 LONG-TERM LIABILITIES

During the year ended June 30, 2022, the following changes occurred in liabilities reported in long-term liabilities:

	Balance July 1	Increases	Decreases	Balance June 30	Due Within One Year
Long-Term Debt					
General Obligation Bonds	\$ 14,700,000	\$ 16,400,000	\$ -	\$ 31,100,000	\$ -
Bond Premiums	-	1,450,783	-	1,450,783	72,539
Total Long-Term Debt	\$ 14,700,000	\$ 17,850,783	\$ -	\$ 32,550,783	\$ 72,539
Compensated Absences *	\$ 137,984	\$ 2,251	\$ -	\$ 140,235	\$ 35,059
Net Pension and OPEB Liability *	9,726,544	-	3,318,537	6,408,007	-
Total Long-Term Liabilities	\$ 24,564,528	\$ 17,853,034	\$ 3,318,537	\$ 39,099,025	\$ 107,598

* - The change in compensated absences and net pension & OPEB liability are shown as net changes because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost.

KINDRED PUBLIC SCHOOL DISTRICT NO. 2
Notes to the Financial Statements – Continued

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

Year Ending June 30	G.O. Bonds Payable		Bond Premium
	Principal	Interest	
2023	\$ -	\$ 1,394,734	\$ 72,539
2024	380,000	1,471,800	72,539
2025	610,000	1,447,050	72,539
2026	645,000	1,415,675	72,539
2027	675,000	1,382,675	72,539
2028-2032	18,615,000	2,397,975	362,696
2033-2037	4,710,000	1,181,550	362,696
2038-2042	5,465,000	419,625	362,696
Totals	\$ 31,100,000	\$11,111,084	\$ 1,450,783

NOTE 9 CONSTRUCTION COMMITMENTS

The School District had open construction commitments as of June 30, 2022 as follows:

Project	Contract Amount	Total Completed	Retainage	Remaining Balance
Middle School/Elementary Remodel Project				
<i>Middle School Remodel</i>	\$ 19,636,647	\$ 534,087	\$ 53,409	\$ 19,155,969
<i>Elementary Remodel</i>	2,367,339	82,161	13,098	2,298,276
Total	\$ 22,003,986	\$ 616,248	\$ 66,507	\$ 21,454,245

NOTE 10 PENSION PLANS

General Information about the TFFR Pension Plan

North Dakota Teachers' Fund for Retirement TFFR

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

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

At June 30, 2022, the School District reported a liability of \$5,718,751 for its proportionate share of 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 pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2022, the district’s proportion was 0.54275354%, an increase of .026881%.

For the year ended June 30, 2022, the district recognized pension expense of \$271,171. 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 Experience	\$ 39,732	\$ 241,175
Changes of Assumptions	200,869	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	1,675,677
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	577,183	27,773
District Contributions Subsequent to the Measurement Date	558,409	-
Total	\$ 1,376,193	\$ 1,944,625

\$558,409 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 ended 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.

2023	\$ (318,318)
2024	(251,699)
2025	(318,435)
2026	(445,075)
2027	99,620
Thereafter	107,067

Actuarial Assumptions

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

Inflation	2.30%
Salary Increases	3.80% to 14.80%, varying by service, including inflation and productivity
Investment Rate of Return	7.25%, net of investment expenses, including inflation
Cost-of-Living Adjustments	None

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

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

The TFFR Board is responsible for establishing investment policy for the fund assets under NDCC 15-39.1-05.2. Benefit payments are projected to occur over a long period of time. This allows TFFR to adopt a long-term investment horizon and asset allocation policy for the management of fund assets. Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the Board in determining an acceptable volatility target for the fund and an optimal asset allocation policy mix. This asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk, including the resulting estimated impact of funded status and contribution rates.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	55%	6.90%
Global Fixed Income	26%	0.7%
Global Real Assets	18%	4.8%
Cash Equivalents	1%	-1.0%

Discount Rate

The discount rate used to measure the total pension liability was 7.25% 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 District’s Proportionate Share of the Net Pension Liability to Changes in the Discount rate

The following presents the School District'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 (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
School District's Proportionate Share of the Net Pension Liability	\$ 8,586,918	\$ 5,718,751	\$ 3,337,030

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued TFFR financial report. TFFR’s Annual Comprehensive Financial Report (ACFR) is located at <https://www.rio.nd.gov/teachers-fund-retirement-employers>

General Information about the NDPERS Pension Plan

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.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member 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.

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 School District reported a liability of \$660,787 for its proportionate share of 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 School 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, 2022, the School District’s proportion was 0.063397%, which was an increase of .006561% from its proportion measured at June 30, 2020.

KINDRED PUBLIC SCHOOL DISTRICT NO. 2
Notes to the Financial Statements – Continued

For the year ended June 30, 2022, the School District recognized pension expense of \$159,843. At June 30, 2022, the School 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 Experience	\$ 11,409	\$ 67,442
Changes of Assumptions	731,363	953,545
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	245,076
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	181,301	1,555
District Contributions Subsequent to the Measurement Date	58,638	-
Total	\$ 982,711	\$ 1,267,618

\$58,638 was 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 ended 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.

2023	\$ (14,551)
2024	(60,582)
2025	(49,070)
2026	(219,342)
2027	-

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.

KINDRED PUBLIC SCHOOL DISTRICT NO. 2
Notes to the Financial Statements – Continued

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

Asset Class	Target Allocation	Long -Term Expected Real Rate of Return
Domestic Equity	30%	6.00%
International Equity	21%	6.70%
Private Equity	7%	9.50%
Domestic Fixed Income	23%	0.73%
International Fixed Income	0%	0.00%
Global Real Assets	19%	4.77%
Cash Equivalents	0%	0.00%

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's Proportionate Share of the Net Pension Liability	\$ 1,050,874	\$ 660,787	\$ 335,979

Pension Plan Fiduciary Net Position

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

NOTE 10 OPEB PLAN

General Information about the 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.

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

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

OPEB Benefits

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

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

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

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

At June 30, 2022, the School District reported a liability of \$28,469 for their proportionate shares 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 School District's proportion of the net OPEB liability was based on their share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB

KINDRED PUBLIC SCHOOL DISTRICT NO. 2
Notes to the Financial Statements – Continued

employers. At June 30, 2022, the School District's proportion was 0.051187%, which was an increase of .000046% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the School District recognized OPEB expense of \$5,507. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,634	\$ 780
Changes of Assumptions	4,409	-
Net Difference Between Projected and Actual Investment		
Earnings on OPEB Plan Investments	-	9,754
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	6,249	-
Employer Contributions Subsequent to the Measurement Date	6,260	-
Total	\$ 18,552	\$ 10,534

\$6,260 was reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended 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:

2023	\$ 1,027
2024	956
2025	482
2026	(943)
2027	236
2028 and Thereafter	-

Actuarial assumptions

The total OPEB liability in the July 1, 2018 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.

KINDRED PUBLIC SCHOOL DISTRICT NO. 2
Notes to the Financial Statements – Continued

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, 2020 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	40%	0.50%
International Equities	21%	6.25%

Discount rate

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

Sensitivity of the School District’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 (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
School District's Proportionate Share of the Net OPEB Liability	\$ 42,223	\$ 28,469	\$ 16,831

KINDRED PUBLIC SCHOOL DISTRICT NO. 2

Budgetary Comparison Schedule - General Fund

June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local Sources	\$ 2,090,800	\$ 2,090,800	\$ 2,110,378	\$ 19,578
State Sources	7,638,485	7,638,485	7,680,310	41,825
Federal Sources	168,500	168,500	398,620	230,120
Other Sources	41,000	41,000	68,851	27,851
Total Revenues	\$ 9,938,785	\$ 9,938,785	\$ 10,258,159	\$ 319,374
EXPENDITURES				
Current				
Regular Instruction	\$ 5,378,288	\$ 5,378,288	\$ 5,268,803	\$ 109,485
Special Education	804,316	804,316	800,872	3,444
Vocational Education	318,253	318,253	276,520	41,733
Federal Programs	519,592	519,592	356,982	162,610
District Wide Services	803,291	803,291	539,245	264,046
Administration	1,060,608	1,060,608	1,018,844	41,764
Operations and Maintenance	1,119,627	1,119,627	1,095,964	23,663
Transportation	391,049	391,049	384,641	6,408
Co-Curricular Activities	447,599	447,599	500,135	(52,536)
Debt Service				
Interest and Fees	-	-	132	(132)
Total Expenditures	\$ 10,842,623	\$ 10,842,623	\$ 10,242,138	\$ 600,485
Excess (Deficiency) of Revenues Over Expenditures	\$ (903,838)	\$ (903,838)	\$ 16,021	\$ (281,111)
Fund Balance - July 1	\$ 2,804,529	\$ 2,804,529	\$ 2,804,529	\$ -
Prior Period Adjustment	\$ -	\$ -	\$ (157,160)	\$ -
Fund Balance - July 1, as restated	\$ 2,804,529	\$ 2,804,529	\$ 2,647,369	\$ -
Fund Balance - June 30	\$ 1,900,691	\$ 1,900,691	\$ 2,663,390	\$ (281,111)

The accompanying required supplementary information notes are an integral part of this schedule.

KINDRED PUBLIC SCHOOL DISTRICT NO. 2

Schedule of Employer’s Share of Net Pension Liability and Employer Contributions
 For the Year Ended June 30, 2022

**Schedule of Employer’s Share of Net Pension Liability
 North Dakota Teachers Fund for Retirement
 Last 10 Fiscal Years**

	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	0.542754%	\$ 5,718,751	\$ 4,182,999	136.71%	75.70%
2021	0.515873%	7,895,451	3,764,121	209.76%	63.40%
2020	0.504527%	6,948,612	3,539,400	196.32%	65.50%
2019	0.499311%	6,655,110	3,394,364	196.06%	65.50%
2018	0.486063%	6,676,203	3,280,787	203.49%	63.20%
2017	0.479844%	7,029,996	3,117,666	225.49%	59.20%
2016	0.496501%	6,493,514	3,054,003	212.62%	62.10%
2015	0.504655%	5,287,890	2,927,266	180.64%	66.60%

**Schedule of Employer Contributions
 North Dakota Teachers Fund for Retirement
 Last 10 Fiscal Years**

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2022	\$ 533,332	\$ 533,332	-	\$ 4,379,677	12.18%
2021	479,929	479,929	-	4,182,999	11.47%
2020	451,273	451,273	-	3,539,400	12.75%
2019	432,782	432,782	-	3,394,364	12.75%
2018	418,300	418,300	-	3,280,787	12.75%
2017	397,502	397,502	-	3,117,666	12.75%
2016	389,367	389,367	-	3,054,003	12.75%
2015	314,678	314,678	-	2,927,266	7.12%

The notes to the required supplementary information are an integral part of this statement.

KINDRED PUBLIC SCHOOL DISTRICT NO. 2

Schedule of Employer's Share of Net Pension Liability and Employer Contributions - Continued

**Schedule of Employer's Share of Net Pension Liability
North Dakota Public Employees Retirement System
Last 10 Fiscal Years**

	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	0.063397%	\$ 660,787	\$ 717,902	92.04%	78.26%
2021	0.056836%	1,788,073	626,975	285.19%	48.91%
2020	0.049463%	579,742	514,498	112.68%	71.66%
2019	0.046462%	784,097	477,312	164.27%	62.80%
2018	0.043749%	662,300	420,638	157.45%	61.98%
2017	0.048606%	426,377	440,889	96.71%	70.46%
2016	0.048847%	332,151	435,169	76.33%	77.15%
2015	0.049495%	315,155	416,934	75.59%	77.70%

**Schedule of Employer Contributions
North Dakota Public Employees Retirement System
Last 10 Fiscal Years**

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2022	\$ 52,942	\$ 57,635	\$ (4,693)	\$ 785,382	7.34%
2021	44,395	40,969	3,426	741,550	5.52%
2020	37,458	40,045	(4,647)	477,312	8.39%
2019	35,156	39,803	(4,647)	477,312	8.34%
2018	30,501	33,868	(3,367)	420,638	8.05%
2017	31,919	34,756	(2,837)	440,889	7.88%
2016	33,054	34,798	(1,744)	435,169	8.00%
2015	29,686	29,686	-	416,934	7.12%

The notes to the required supplementary information are an integral part of this statement.

KINDRED PUBLIC SCHOOL DISTRICT NO. 2

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions
 For the Year Ended June 30, 2022

**Schedule of Employer's Share of Net OPEB Liability
 North Dakota Public Employees Retirement System
 Last 10 Fiscal Years**

	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2022	0.051187%	\$ 28,469	\$ 558,072	5.10%	76.63%
2021	0.051141%	43,020	582,991	7.38%	63.38%
2020	0.046108%	37,033	514,498	7.20%	63.13%
2019	0.043621%	34,355	477,312	7.20%	61.89%
2018	0.038882%	30,756	420,638	7.31%	59.78%

**Schedule of Employer Contributions
 North Dakota Public Employees Retirement System
 Last 10 Fiscal Years**

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2022	\$ 6,711	\$ 7,585	\$ (874)	\$ 549,150	1.38%
2021	6,849	6,426	423	622,483	1.03%
2020	5,984	6,412	(774)	514,498	1.25%
2019	5,599	6,373	(774)	477,312	1.34%
2018	4,890	5,423	(533)	420,638	1.29%

The notes to the required supplementary information are an integral part of this statement.

KINDRED PUBLIC SCHOOL DISTRICT NO. 2

Notes to the Required Supplementary Information
For the Year Ended June 30, 2022

NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The School District adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States for the general fund, special revenue funds, debt service funds, and capital project funds.

The following procedures are followed 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 the fifteenth day of August of each year.
- The taxes levied must be certified to the county auditor by August twenty-fifth. The governing body of the school district may amend its tax levy and budget on or before the tenth day of October of each year but the certification must be filed with the county auditor within the time limitations as outlined in NDCC section 57-15-31.1.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the superintendent and 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.
- All appropriations lapse at year-end.

NOTE 2 SCHEDULE OF EMPLOYER PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

GASB Statements No. 68 and 75 require ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

NOTE 3 CHANGES OF BENEFIT TERMS

Pension

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.

OPEB

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

NOTE 4 CHANGES OF ASSUMPTIONS

North Dakota Teachers Fund for Retirement

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

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

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

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

Pension

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

OPEB

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

KINDRED PUBLIC SCHOOL DISTRICT NO. 2

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2022

Assistance Listing Number	Program Title	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the North Dakota Department of Public Instruction:			
Child Nutrition Cluster			
10.555	National School Lunch Program - Cash	F10555	\$ 517,420
10.555	National School Lunch Program - Commodities ** Child Nutrition Cluster	36001	<u>42,627</u>
			<u>\$ 560,047</u>
10.560	State Administrative Expenses for Child Nutrition	F10559	\$ 3,537
10.649	State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grants	F10649	<u>614</u>
Total U.S Department of Agriculture			<u>\$ 564,198</u>
U.S. DEPARTMENT OF EDUCATION			
Passed through the North Dakota Department of Public Instruction:			
84.010	Title I - Grants to LEA's	F84010	\$ 34,166
84.367	Supporting Effective Instruction State Grants	F84367	34,463
84.424A	Student Support and Academic Enrichment Program	F84424A	10,000
84.425D	COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund	F84425D	<u>269,069</u>
Total U.S Department of Education			<u>\$ 347,698</u>
Total Amount of Federal Awards			<u><u>\$ 911,896</u></u>

** - Noncash Assistance

See Notes to the Schedule of Expenditures of Federal Awards

KINDRED PUBLIC SCHOOL DISTRICT NO. 2

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

NOTE 1 BASIS OF PRESENTATION / ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Kindred Public School District No. 2 under programs of the federal government for the year ended June 30, 2022. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of the Kindred Public School District No. 2, it is not intended to and does not present the financial position or changes in net position of the Kindred Public School District No. 2. Expenditures represent only the federally funded portions of the program. School District records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E of the Uniform Guidance, wherein certain types of expenditures are allowable or are limited as to reimbursement.

NOTE 3 NON-CASH AWARDS

The amount of commodities reported on the schedule is the value of the supplemental food program distributed by the district during the year as priced by the North Dakota Department of Public Instruction.

NOTE 4 INDIRECT COST RATE

Kindred Public School District No. 2 has not elected to use the 10-percent de minimis cost rate as allowed under Uniform Guidance.

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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. Boulevard Ave, Dept. 117
Bismarck, North Dakota, 58505

ndsao@nd.gov

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*

Independent Auditor's Report

School Board of Directors
Kindred Public School District No. 2
Kindred, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kindred Public School District No. 2 as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Kindred Public School District No. 2's basic financial statements, and have issued our report thereon dated June 29, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Kindred Public School District No. 2's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Kindred Public School District No. 2's internal control. Accordingly, we do not express an opinion on the effectiveness of the Kindred Public School District No. 2's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying *schedule of audit findings and questioned costs* as items 2022-001 through 2022-003 that we consider to be material weaknesses.

KINDRED PUBLIC SCHOOL DISTRICT NO. 2

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* - Continued

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Kindred Public School District No.2'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*

Kindred Public School District No. 2's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Kindred Public School District No. 2's response to the findings identified in our audit and described in the accompanying *schedule of audit findings and questioned costs*. The Kindred Public School District No. 2's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
June 29, 2023

STATE AUDITOR
Joshua C. Gallion



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701-328-2345

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

School Board of Directors
Kindred Public School District No. 2
Kindred, North Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Kindred Public School District No. 2'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 Kindred Public School District No. 2's major federal programs for the year ended June 30, 2022. Kindred Public School District No. 2'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, Kindred Public School District No. 2's compiled, 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 (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Kindred Public School District No. 2 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 Kindred Public School District No. 2'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 Kindred Public School District No. 2's federal programs.

KINDRED PUBLIC SCHOOL DISTRICT NO. 2

Report on Compliance for Each Major Federal Programs; and Report on Internal Control Over Compliance - Continued

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 Kindred Public School District No. 2'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 GAAS, *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 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 Kindred Public School District No. 2's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement 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 Kindred Public School District No. 2'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 Kindred Public School District No. 2'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 Kindred Public School District No. 2'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 on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Kindred Public School District No. 2's response to the noncompliance finding identified in our audit described in the accompanying *schedule of findings and questioned costs* and *corrective action plan*. Kindred Public School District No. 2's response was not subjected to the other auditing procedures applied in the audit of compliance, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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.

KINDRED PUBLIC SCHOOL DISTRICT NO. 2

Report on Compliance for Each Major Federal Programs; and Report on Internal Control Over Compliance - Continued

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

The purpose of this report on internal control over compliance is solely 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.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
June 29, 2023

KINDRED PUBLIC SCHOOL DISTRICT NO. 2

Summary of Auditor's Results
For the Year Ended June 30, 2022

Financial Statements

Type of Report Issued:	
Governmental Activities	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting

Material weaknesses identified?	<u> X </u> Yes	<u> </u> None	Noted
Significant deficiencies identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None	Noted
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> None	Noted

Federal Awards

Internal Control Over Major Programs

Material weaknesses identified?	<u> </u> Yes	<u> X </u> None	noted
Reportable conditions identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None	noted
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 CFR §200.516 (Uniform Guidance) requirements?	<u> </u> Yes	<u> X </u> None	noted

Identification of Major Programs

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and B programs:	<u> \$ 750,000 </u>
Auditee qualified as low-risk auditee?	<u> </u> Yes <u> X </u> No

KINDRED PUBLIC SCHOOL DISTRICT NO. 2

Schedule of Audit Findings and Questioned Costs

For the Year Ended June 30, 2022

SECTION I – FINANCIAL STATEMENT FINDINGS

2022-001 LACK OF SEGREGATION OF DUTIES – MATERIAL WEAKNESS

Condition

Kindred Public School District No. 2 has limited staff members responsible for the primary accounting functions. A lack of segregation of duties exists as limited personnel are responsible to collect and deposit monies, issue checks, send checks to vendors, record receipts disbursement in journals, maintain the general ledger, create credit memos, and perform bank reconciliations.

Effect

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of Kindred Public School District No. 2's financial condition, whether due to error or fraud.

Cause

Management has chosen to allocate its economic resources to other functions of Kindred Public School District No. 2.

Criteria

According to the COSO framework, proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel, so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the districts.

Prior Recommendation

Yes.

Recommendation

To mitigate the risk associated with this lack of segregation of duties, we will recommend the following:

- Financial statements and credit memos should be reviewed by a responsible official.
- Where possible, segregate the functions of approval, posting, custody of assets, and reconciliation as they relate to any amounts which impact the financial statements.

Kindred Public School District No. 2's Response

See Corrective Action Plan

2022-002 AUDIT ADJUSTMENT – MATERIAL WEAKNESS

Condition

During the audit of Kindred Public School District No. 2, we proposed material adjusting entries to the financial statements in accordance with generally accepted accounting principles (GAAP). The adjustments were approved by management and are reflected in the financial statements.

Effect

There is an increased risk of material misstatement to the Kindred Public School District No. 2's financial statements.

Cause

Kindred Public School District No. 2 may not have procedures in place to ensure the financial statements are complete and accurate.

Criteria

Kindred Public School District No. 2 is responsible for the preparation of its financial statements and related note disclosures to ensure it is reliable, accurate, free of material misstatement, and in accordance with GAAP.

Prior Recommendation

Yes

Recommendation

We recommend Kindred Public School District No. 2 review its procedures for the preparation of the financial statements to ensure the financial statements are complete and accurate in accordance with GAAP.

Kindred Public School District No. 2's Response

See Corrective Action Plan

2022-003 BANK RECONCILIATION – MATERIAL WEAKNESS

Condition

During testing of the June 30, 2022 bank reconciliation, we identified the following:

- The capital projects fund ending cash balance in the general ledger was understated by \$17,832,939 due to a transfer out error. The \$17,832,939 was corrected during the financial statement preparation.
- Outstanding checks totaling \$198,930 were postdated, even though majority of the checks cleared in July 2022 bank statement. The postdated checks were related to salaries payable, which were adjusted in the financial statements.
- The overall result of the errors caused a net difference of \$3,735.

The adjustment to the financial statements was approved by management. However, the client has not corrected the error in the general ledger as of the report date.

Effect

There is an increased risk of material misstatement to the Kindred Public School District No. 2's financial statements whether due to error or fraud if bank reconciliations are not complete and accurate. In addition, the client's general ledger ending cash balance in the capital projects fund as of June 30, 2022 is currently understated by \$17,832,939.

Cause

Kindred Public School District No. 2 may not have been aware of how to correct the bank reconciliation error.

Criteria

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to the bank reconciliations, management is responsible for policies and procedures for accurate and timely bank reconciliations.

Prior Recommendation

No.

Recommendation

We recommend Kindred Public School District No. 2 strengthen procedures to ensure bank reconciliations are accurately completed. In addition, we recommend the Kindred Public School District No. 2 make an adjusting journal entry to the capital projects fund to accurately record the cash balance as of June 30, 2022.

Kindred Public School District No. 2's Response

See Corrective Action Plan

SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2022-004 UNTIMELY FILING OF THE DATA COLLECTION FORM – OTHER NONCOMPLIANCE

FINDING TYPE: Other Noncompliance

Finding	2022-004
Federal Program:	Child Nutrition Cluster
ALN:	10.555
Federal Award Number(s) and Year(s):	213ND309N1199, 2022
Federal Agency:	U.S. Department of Agriculture
Questioned Cost:	\$0

Condition

The Kindred Public School District No. 2 did not submit its Data Collection Form to the Federal Audit Clearinghouse within nine months of its year-end June 30, 2022.

Effect

The Kindred Public School District No. 2 is not in compliance with the filing requirement deadline.

Cause

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

Criteria

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

Prior Recommendation

No.

Recommendation

We recommend the Kindred Public School District No. 2 comply with the Uniform Guidance 2 CFR 200.512(a) by submitting the Data Collection Form within the allowable time requirements.

Kindred Public School District No. 2's Response

See Corrective Action Plan

**KINDRED SCHOOL DISTRICT
255 DAKOTA ST
KINDRED ND. 58051
701-428-3177**

Date: May 30, 2023
To: Joshua C. Gallion, ND State Auditor
FROM: Melanie Moffet, Business Manager
RE: Kindred Public School District – FY2022 Corrective Action Plan

Contact Person Responsible for Corrective Acton Plan: Melanie Moffet, Business Manager

Section I – Financial Statement Findings:

2022-001 LACK OF SEGREGATION OF DUTIES – MATERIAL WEAKNESS

Condition:

Kindred Public School District has limited staff members responsible for the primary accounting functions. A lack of segregation of duties exists as limited personnel are responsible to collect and deposit monies, issue checks, send checks to vendors, record receipts disbursement in journals, maintain the general ledger, create credit memos, and perform bank reconciliations.

Corrective Action Plan:

Agree-- We anticipate adding staff this school year with the construction of school offices.

Anticipated Completion Date:

No date set

2022-002 MATERIAL AUDIT ADJUSTMENT – MATERIAL WEAKNESS

Condition:

During the audit of Kindred Public School District No. 2, we proposed material adjusting entries to the financial statements in accordance with generally accepted accounting principles (GAAP). The adjustments were approved by management and are reflected in the financial statements.

Corrective Action Plan:

Agree—We would not know these adjustments on our own as they are for our construction project and wouldn't know what would get moved to the new year.

Anticipated Completion Date:

Was done during the audit.

2022-003 BANK RECONCILIATION – MATERIAL WEAKNESS

Condition:

During testing of the June 30, 2022 bank reconciliation, we identified the following:

- The capital projects fund ending cash balance in the general ledger was understated by \$17,832,939 due to a transfer out error. The \$17,832,939 was corrected during the financial statement preparation.
- Outstanding checks totaling \$198,930 were postdated, even though majority of the checks cleared in July 2022 bank statement. The postdated checks were related to salaries payable, which were adjusted in the financial statements.
- The overall result of the errors caused a net difference of \$3,735.

The adjustment to the financial statements was approved by management. However, the client has not corrected the error in the general ledger as of the report date.

Corrective Action Plan:

Agree—Corrections have been made

Anticipated Completion Date:

Was done during the audit

Section II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

2022-004 UNTIMELY FILING OF THE DATA COLLECTION FORM – OTHER NONCOMPLIANCE

Condition:

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

Corrective Action Plan:

Agree—We had many things going on this year with Superintendent hiring and construction.

Anticipated Completion Date:

Was done as soon as audit was complete.

Kindred School District

255 Dakota St
Kindred, ND. 58051
701-428-3177

Date: March 9, 2023
To: Joshua C. Gallion, ND State Auditor
FROM: Melanie Moffet, Business Manager
RE: Kindred Public School District – FY2022 Status of Prior Audit Findings

2021-001 LACK OF SEGREGATION OF DUTIES – MATERIAL WEAKNESS

Condition:

The Kindred Public School District has one business manager responsible for the primary accounting functions. A lack of segregation of duties exists as one employee is responsible to collect monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and prepare financial statements.

Recommendation:

To mitigate the risk associated with this lack of segregation of duties, we will recommend the following:

- Financial statements and credit memos should be reviewed by a responsible official.
- Where possible, segregate the functions of approval, posting, custody of assets, and reconciliation as they relate to any amounts which impact the financial statements.
- Include the board in reviewing credit memos, manual adjustments, etc.

Current Status:

We currently still have just one business manager and 2 secretaries that handle the financials. We have implemented a solution to hire more staff but have put it on hold until the building project is further along.

2021-002 ADJUSTING JOURNAL ENTRIES – MATERIAL WEAKNESS

Condition:

During testing, it was found that Kindred Public School District failed to include accounts payable in the amount of \$57,791 related to its Building Fund. Adjustments were proposed and are included in the financial statements.

Recommendation:

We recommend that Kindred Public School District review its accounts payable listing and revenue classifications to ensure its financial statements are accurately presented and in accordance with GAAP.

Current Status:

We have looked over our payables and revenues and included the adjustments.

2021-003 FRAUD RISK DOCUMENTATION – SIGNIFICANT DEFICIENCY

Condition:

Kindred Public School District did not prepare a fraud risk assessment for fiscal year 2021.

Recommendation:

We recommend the Kindred Public School District prepare a fraud risk assessment annually in order to identify areas of concern within the entity to appropriately mitigate the risk of fraudulent financial reporting, misappropriation of assets, and corruption.

Current Status:

We prepared a fraud risk assessment. We have not done one yet this year with the hiring of a new superintendent but will do one this spring.

STATE AUDITOR
Joshua C. Gallion



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GOVERNANCE COMMUNICATION

June 29, 2023

School Board of Directors
Kindred Public School District No. 2
Kindred, North Dakota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kindred Public School District No. 2 Kindred, North Dakota, for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 8, 2023. Professional standards also require that we communicate to you with the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Kindred Public School District No. 2 are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2022. We noted no transactions entered into by Kindred Public School District No. 2 during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements presented by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the governmental activities financial statements were:

Management's estimate of the useful lives of capital assets is based on past history of each classification of capital assets. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. Management has corrected all such misstatements. The schedules list all misstatements detected as a result of audit procedures that were corrected by management.

	<u>Adjustments</u>	
	Debit	Credit
Fund Level Adjustments		
Capital Projects Fund		
Expenditures	194,671	
Accounts Payable		194,671
Expenditures	24,747	
Retainage Payable		24,747
Other Governmental Funds		
Local Source Revenue	45,135	
Federal Source Revenue		43,135
Government-Wide Adjustment		
Capital Asset, Net	219,418	
Net Position		219,418

Management determined the uncorrected misstatements effect is immaterial to the financial statements taken as a whole. The schedule below lists all uncorrected misstatements detected as a result of audit procedures.

	<u>Passed Adjustments</u>	
	Debit	Credit
Fund Level Adjustments		
General Fund		
Cash	10,936	
Fund Balance		10,936

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 29, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Kindred Public School District No. 2's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to

check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the *budgetary comparison information, schedule of district's share of net pension liability and district contributions, schedule of district's share of net OPEB liability and district contributions, and notes to the required supplementary information* which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the *schedule of expenditures of federal awards and notes to the schedule of expenditures of federal awards*, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of Kindred Public School District No. 2 board members and management of Kindred Public School District No. 2, and is not intended to be, and should not be, used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of Kindred Public School District No. 2 for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve Kindred Public School District No. 2.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
June 29, 2023



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

600 E. Boulevard Ave. Dept. 117 | Bismarck, North Dakota 58505