NORTH DAKOTA
OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Lewis & Clark Public School District No. 161

Berthold, North Dakota

Audit Report for the Year Ended June 30, 2022

Client Code: PS 51450

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161
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For the Year Ended June 30, 2022

SCHOOL OFFICIALS AS OF JUNE 30, 2022

Shane Erickson	President
Denver Deaver	Vice President
Mike Lautenschlager	Board Member
Waylon Deaver	Board Member
Troy Pank	Board Member
Kyle Schepp	Board Member
Bob Blunck	Board Member
Marc Ritteman	Superintendent
Tammy Lindahl	Business Manager
Shawna Schenfisch	Business Manager

STATE AUDITOR
Joshua C. Gallion

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INDEPENDENT AUDITOR'S REPORT

Lewis & Clark Public School Board
Lewis & Clark Public School District No. 161
Lewis & Clark, 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 Lewis & Clark Public School District No. 161, North Dakota, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Lewis & Clark Public School District No. 161'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 Lewis & Clark Public School District No. 161, North Dakota, as of June 30, 2022, and the respective changes in financial position, 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 Lewis & Clark Public School District No. 161 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Lewis & Clark Public School District No. 161'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 Lewis & Clark Public School District No. 161'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 Lewis & Clark Public School District No. 161'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with GAS, we have also issued our report dated November 27, 2023 on our consideration of Lewis & Clark Public School District No. 161'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 Lewis & Clark Public School District No. 161'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 Lewis & Clark Public School District No. 161's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
November 27, 2023

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

Statement of Net Position
June 30, 2022

		Governmental Activities
ASSETS		
Cash	$	4,281,631
Intergovernmental Receivable		125,283
Due From County		39,398
Taxes Receivable		277,499
Capital Assets		
Depreciable, Net		20,097,775
Total Assets	$	24,821,586
DEFERRED OUTFLOWS OF RESOURCES		
Derived from Pension & OPEB	$	1,702,242
LIABILITIES		
Accounts Payable	$	46,216
Interest Payable		53,474
Long-Term Liabilities		
Due Within One Year		
Long Term Debt		1,095,180
Due After One Year		
Long Term Debt		13,233,590
Net Pension & OPEB Liability		4,416,882
Total Liabilities	$	18,845,342
DEFERRED INFLOWS OF RESOURCES		
Derived from Pension & OPEB	$	3,173,158
NET POSITION		
Net Investment in Capital Assets	$	5,769,005
Restricted for		
Capital Projects		801,158
Debt Service		889,406
Special Purposes		458,681
Unrestricted		(3,412,922)
Total Net Position	$	4,505,328

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

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities				
Regular Instruction	$ 4,322,847	$ 102,879	$ -	$ (4,219,968)
Special Education	449,385	-	-	(449,385)
Vocational Education	93,904	-	-	(93,904)
Federal Programs	163,296	-	472,947	309,651
Administration	494,155	-	-	(494,155)
District Wide Services	187	-	-	(187)
School Food Services	315,986	162	-	(315,824)
Operations and Maintenance of Plant	798,989	-	-	(798,989)
Transportation	556,191	1,105	310,974	(244,112)
Student Activities	356,046	380,614	-	24,568
Scholarships	14,795	-	-	(14,795)
Other	2,430	-	-	(2,430)
Interest and Fees on Long-Term Debt	338,904	-	-	(338,904)
Total Governmental Activities	$ 7,907,115	$ 484,760	$ 783,921	$ (6,638,434)

General Revenues	
Property Taxes	$ 3,892,251
Unrestricted State Aid	3,359,763
Change in Investment Market Value	(22,972)
Interest Earnings	13,296
Miscellaneous Revenue	180,128
Loss on Disposal of Capital Asset	(2,324)
Total General Revenues	$ 7,420,142
Changes in Net Position	$ 781,708
Net Position - July 1	$ 3,723,620
Net Position - June 30	$ 4,505,328

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

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

Balance Sheet – Governmental Funds
June 30, 2022

	General Fund	Building Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash & Investments	$ 2,176,820	$ 776,454	$ 860,989	$ 467,368	$ 4,281,631
Intergovernmental Receivable	125,283	-	-	-	125,283
Due from County	26,884	2,899	9,615	-	39,398
Taxes Receivable	183,418	21,805	72,276	-	277,499
Total Assets	$ 2,512,405	$ 801,158	$ 942,880	$ 467,368	$ 4,723,811
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts Payable	$ 37,529	$ -	$ -	$ 8,687	$ 46,216
Deferred Inflows of Resources					
Taxes Receivable	$ 183,418	$ 21,805	$ 72,276	$ -	$ 277,499
Fund Balances					
Restricted					
Building	$ -	$ 779,353	$ -	$ -	$ 779,353
Debt Service	-	-	870,604	-	870,604
Food Service	-	-	-	81,027	81,027
Student Activities	-	-	-	233,443	233,443
Scholarship Fund	-	-	-	144,211	144,211
Unassigned	2,291,458	-	-	-	2,291,458
Total Fund Balances	$ 2,291,458	$ 779,353	$ 870,604	$ 458,681	$ 4,400,096
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 2,512,405	$ 801,158	$ 942,880	$ 467,368	$ 4,723,811

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

Total Fund Balances for Governmental Funds		$ 4,400,096
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		20,097,775
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 revenues in the funds.		277,499
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	$ 1,702,242	
Deferred Inflows Related to Pensions & OPEB	(3,173,158)	(1,470,916)
Long-term liabilities applicable to the governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term are reported in the statement of net position.		
Long Term Debt	$ (14,328,770)	
Interest Payable	(53,474)	
Net Pension & OPEB Liability	(4,416,882)	(18,799,126)
Total Net Position of Governmental Activities		$ 4,505,328

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

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2022

	General Fund	Building Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Local Sources	$ 2,846,798	$ 302,596	$ 1,000,786	$ 239	$ 4,150,419
State Sources	3,668,449	-	-	2,288	3,670,737
Federal Sources	106,114	-	-	366,834	472,948
Other Sources	34,348	-	-	393,286	427,634
Total Revenues	$ 6,655,709	$ 302,596	$ 1,000,786	$ 762,647	$ 8,721,738
EXPENDITURES					
Regular Instruction	$ 4,043,896	$ -	$ -	$ -	$ 4,043,896
Special Education	462,187	-	-	-	462,187
Vocational Education	97,017	-	-	-	97,017
Federal Programs	167,738	-	-	-	167,738
Administration	507,074	-	-	-	507,074
District Wide Services	187	-	-	-	187
School Food Services	808	-	-	319,809	320,617
Operations and Maintenance of Plant	685,237	53,458	-	-	738,695
Transportation	505,731	-	-	-	505,731
Student Activities	-	-	-	364,865	364,865
Scholarships	-	-	-	14,795	14,795
Other	-	-	2,430	-	2,430
Debt Service					
Principal	160,000	180,000	730,079	-	1,070,079
Interest	22,424	83,490	179,516	-	285,430
Total Expenditures	$ 6,652,299	$ 316,948	$ 912,025	$ 699,469	$ 8,580,741
Excess (Deficiency) of Revenues Over Expenditures	$ 3,410	$ (14,352)	$ 88,761	$ 63,178	$ 140,997
OTHER FINANCING SOURCES (USES)					
Sale of Capital Asset	$ 9,645	$ -		$ -	$ 9,645
Change in Market Value	-	-	-	(22,972)	(22,972)
Transfer In	125,000	-	-	125,000	250,000
Transfers Out	(125,000)	-	-	(125,000)	(250,000)
Total Other Financing Sources and Uses	$ 9,645	$ -	$ -	$ (22,972)	$ (13,327)
Net Change in Fund Balances	$ 13,055	$ (14,352)	$ 88,761	$ 40,206	$ 127,670
Fund Balances - July 1	$ 2,278,403	$ 793,705	$ 781,843	$ 418,475	$ 4,272,426
Fund Balances - June 30	$ 2,291,458	$ 779,353	$ 870,604	$ 458,681	$ 4,400,096

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

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2022

Net Change in *Fund Balances* - Total Governmental Funds		$ 127,670
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year.		
Current Year Capital Outlay	$ 62,037	
Current Year Depreciation Expense	(605,318)	(543,281)
In the statement of activities, only the gain(loss) on the sale of assets and the donation of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the assets sold and donated.		
Proceeds from Sale of Capital Asset	$ (9,645)	
Loss on Sale of Capital Assets	(2,324)	(11,969)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The issuance of long-term debt provides current financial resources to governmental funds, however, the debt principal issued increases liabilities in the statement of net position. This is the amount of debt repayment.		1,070,080
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		(53,474)
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 noreported in the funds.		
Net Change in Net Pension & OPEB Liability	$ 2,772,933	
Net Change in Deferred Outflows of Resources Related to Pensions & OPEB	(557,873)	
Net Change in Deferred Inflows of Resources Related to Pensions & OPEB	(2,014,759)	200,301
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 increase in taxes receivable.		(7,619)
Change in Net Position of Governmental Activities		$ 781,708

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Lewis & Clark Public School District No. 161 (hereafter referred to as “School District”) have been prepared in conformity with accounting principles generally accepted in the United States of America 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 government'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 are such that exclusion would cause its 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 are no component units to be included within the School District’s reporting entity.

Basis of Presentation

Government-wide statements. The statement of net position and the statement of activities display information about the School District. These statements include the financial activities of the overall government. 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. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

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.
>
> *Building Fund* - This fund accounts for financial resources dedicated to the construction of new school buildings, additions to old school buildings, the making of major repairs to existing buildings, or to make annual debt service payments on outstanding debt issues related to the building fund.
>
> *Debt Service Fund* - This fund is used to account for the accumulation of resources for, and the payment of principal, interest and related costs for the general obligation school building bonds and revenue bonds.

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 and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 and money market accounts.

The investments of the School District consist of certificates of deposit stated at cost with maturities in excess of three months.

Capital Assets

Capital assets include plant and equipment. Assets 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 materially 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 over the following estimated useful lives (in years):

Vehicles & Equipment	5 - 15
Buildings	50 - 100

Compensated Absences

A teacher shall be given 24 hours of personal leave. Each teacher shall receive 8 additional hours of leave without pay. Personal leave hour or hours can be taken as long as the administration is notified 24 hours prior to the leave. Personal leave requests will be limited by the availability of substitute teachers found by the administration. Any unused leave for the year will be reimbursed at the in-school subbing rate per hour. Any remaining hours of personal leave not used may be carried over to the next year not to exceed 48 hours.

Pension

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's/NDPER's 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 Board 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 tax levies (enabling legislation) and by outside 3rd parties (state and federal governments for various grants & reimbursements).

Unassigned Fund Balances. Unassigned fund balances are reported in the general fund and for negative fund balances at year-end.

Net Position

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.

Net investment in capital assets is reported for capital assets less accumulated depreciation, as well as net of any related debt to purchase or finance the capital assets. These assets are not available for future spending.

Restrictions of net position in the statement of net position are due to restricted tax levies and restricted Federal & State grants/reimbursements.

Unrestricted net position is primarily unrestricted amounts related to the general fund and negative fund balances.

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 3 DEPOSITS

Custodial Credit Risk

Custodial 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 it 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 School District, city, township, School District, park district, or other political subdivision of the state of North Dakota. Whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board.

At year ended June 30, 2022, the School District's carrying amount of deposits totaled $4,279,302, and the bank balances totaled $4,467,769. Of the bank balances, $642,116 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

Interest Rate Risk

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

The School District invests in mutual funds and exchange traded funds ("ETFs") which include fixed income securities as part of their portfolios. The mutual funds and ETFs are not rated. The average maturities of the fixed income holdings of the investments are as follows:

Investment Type	Total Fair Value	Less than 1 Year	1 - 5 Years	Greater than 5 Years	Not Reported
Mutual Funds	$ 83,121	$ -	$ -	$ 83,121	$ -
Exchange-Traded Funds	38,661	-	-	-	38,661
Total	$ 121,782	-	-	$ 83,121	$ 38,661

Credit Risk

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.

Concentration of Credit Risk

The School District does not have a policy limiting the amount the School District may invest in any one issuer.

NOTE 4 FAIR VALUE MEASUREMENTS

The three levels of the fair value hierarchy in accordance with *Fair Value Measurements* are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active or inactive markets and inputs other than quoted prices that are observable for the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value:

> *Mutual funds/exchange-traded funds* – Valued at the daily closing price as reported by the fund. Mutual funds held by the District are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV of shares held by the District at yearend. The mutual funds held by the District are deemed to be actively traded.

The following tables set forth by level, with in the fair value hierarchy, the District's assets at fair value as of June 30:

Assets	Total	Quoted Prices In Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Mutual Funds	$ 83,121	$ 83,121	$ -	$ -
Exchange-Traded Funds	38,661	38,661	-	-
Total	$ 121,782	$ 121,782	$ -	$ -

NOTE 5 PROPERTY TAXES

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

NOTE 6 CAPITAL ASSETS

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

School District	Restated Balance Jul 1	Increases	Decreases	Transfers	Balance Jun 30
Capital Assets Not Being Depreciated					
Land	$ 40,000	$ -	$ -	$ -	$ 40,000
Capital Assets Being Depreciated					
Buildings	$ 23,366,587	$ -	$ -	$ -	$ 23,366,587
Equipment	589,518	-	-	-	589,518
Vehicles	1,933,053	62,038	230,623	-	1,764,468
Total Capital Assets, Being Depreciated	$ 25,889,158	$ 62,038	$ 230,623	$ -	$ 25,720,573
Less Accumulated Depreciation					
Buildings	$ 3,710,163	$ 443,017	$ -	$ -	$ 4,153,180
Equipment	478,748	36,739	-	-	515,487
Vehicles	1,087,224	125,562	218,655	-	994,131
Total Accumulated Depreciation	$ 5,276,135	$ 605,318	$ 218,655	$ -	$ 5,662,798
Total Capital Assets Being Depreciated, Net	$ 20,613,023	$ (543,280)	$ 11,968	$ -	$ 20,057,775
Governmental Activities Capital Assets, Net	$ 20,653,023	$ (543,280)	$ 11,968	$ -	$ 20,097,775

Depreciation expense was charged to the following functions:

Transportation	$ 125,562
Regular Instruction	407,727
Operations & Maintenance	72,029
Total Depreciation Expense	$ 605,318

NOTE 7 LONG-TERM LIABILITIES

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

School District	Balance Jul 1	Increases	Decreases	Balance Jun 30	Due Within One Year
Long Term Debt					
General Obligation Bonds	$ 14,363,849	$ -	$ 910,079	$ 13,453,770	$ 930,180
Lease Revenue Bonds	1,035,000	-	160,000	875,000	165,000
Total Long Term Debt	$ 15,398,849	$ -	$ 1,070,079	$ 14,328,770	$ 1,095,180
Net Pension Liability *	$ 7,189,815	$ -	$ 2,772,933	$ 4,416,882	$ -
Total Governmental Activities	$ 22,588,664	$ -	$ 3,843,012	$ 18,745,652	$ 1,095,180

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

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

Governmental Activities				
Year Ending June 30	G.O. Bonds Payable		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
2023	$ 930,180	$ 299,385	$ 165,000	$ 18,230
2024	985,332	171,302	170,000	14,930
2025	1,000,535	161,415	175,000	11,530
2026	1,010,790	151,020	180,000	8,030
2027	1,021,098	140,052	185,000	3,076
2028 - 2032	5,356,986	501,971	-	-
2033 - 2037	3,148,849	122,985	-	-
Total	$ 13,453,770	$ 1,548,130	$ 875,000	$ 55,796

NOTE 8 PENSION PLANS

<u>General Information about the TFFR Pension Plan</u>

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, for its respective proportionate share of the net pension liability, the following net pension liability was reported:

	Net Pension Liability
School District	$ 3,647,075

The net pension liability was measured as of July 1, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on its respective 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 entity had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2022 Measurement	Pension Expense
School District	0.34613549%	0.003541%	14,328

At June 30, 2022, the following deferred outflows of resources and deferred inflows of resources were reported related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 25,339	$ 153,807
Changes of Assumptions	128,102	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Invesments	-	1,068,646
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	61,612	498,184
District Contributions Subsequent to the Measurement Date	329,383	-
Total	$ 544,436	$ 1,720,637

$329,383, 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	$ (379,877)
2024	(343,739)
2025	(388,123)
2026	(406,076)
2027	(7,617)
Thereafter	19,849

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%	6.9%
Global Fixed Income	26%	0.7%
Global Real Assets	18%	4.8%
Cash Equivalents	1%	-1.0%

Discount Rate

The discount rate used to measure the total pension liability was 7.25% 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 School District'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	$ 5,476,219	$ 3,647,075	$ 2,128,157

Pension Plan Fiduciary Net Position

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

<u>General Information about the NDPERS Pension Plan</u>

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 be 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, for its respective proportionate share of the net pension liability, the following net pension liabilities were reported:

	Net Pension Liability
School District	$ 732,748

The net pension liability was measured as of July 1, 2021 respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on its respective 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 entity had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2022 Measurement	Pension Expense
School District	0.070301%	0.009993%	185,655

At June 30, 2022, the following deferred outflows of resources and deferred inflows of resources were reported related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 12,652	$ 74,787
Changes of Assumptions	811,009	1,057,387
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Invesments	-	271,765
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	233,564	34,261
District Contributions Subsequent to the Measurement Date	72,182	-
Total	$ 1,129,407	$ 1,438,200

$133,115 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	$ (16,192)
2024	(61,199)
2025	(66,038)
2026	(237,546)
Thereafter	-

Actuarial Assumptions

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

Inflation	2.25%
Salary Increases	3.5% to 17.75% including inflation
Investment Rate of Return	7.00%, net of investment expenses
Cost–of-Living Adjustments	None

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

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

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 School District's Proportionate Share of the Net Pension Liability to Changes in the Discount rate

The following presents School District's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the School District'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	$ 1,165,315	$ 732,748	$ 372,567

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 9 OPEB PLAN

<u>General Information about the OPEB Plan</u>

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, for its respective proportionate share of the net pension liability, the following net OPEB liabilities were reported:

	Net OPEB Liability
School District	$ 37,059

The net OPEB liability was measured as of June, 2021 respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The proportion of the net OPEB liability was based on its share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2022, the entities had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2022 Measurement	OPEB Expense
School District	0.06663200%	0.008273%	8,042

At June 30, 2022, the following deferred outflows of resources and deferred inflows of resources were reported related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 2,129	$ 1,016
Changes of Assumptions	5,739	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	12,697
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	12,877	608
Employer Contributions Subsequent to the Measurement Date	7,654	-
Total	$ 28,399	$ 14,321

$7,654 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 OPEBs will be recognized in OPEB expense as follows:

2023	$ 2,212
2024	2,120
2025	1,439
2026	(98)
2027	751
2028	-
2029 and Thereafter	-

Actuarial assumptions

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

Inflation	2.25%
Salary Increases	Not applicable
Investment Rate of Return	6.50%, net of investment expenses
Cost-of-Living Adjustments	None

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	5.85%
Small Cap Domestic Equities	6%	6.75%
Domestic Fixed Income	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	$ 54,963	$ 37,059	$ 21,909

NOTE 10 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The School District pays an annual premium to NDIRF for its general liability and automobile. For the School District the coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and automobile and $107,811 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 two million for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

NOTE 11 TRANSFERS

The following table shows amounts reported for transfers in and transfers out as reported in the basic financial statements in the governmental funds for the fiscal year ended June 30, 2022:

	Transfers In	Transfers Out
Major Funds		
General Fund	$ 125,000	$ (125,000)
Nonmajor Funds		
Food Service	125,000	(125,000)
Total Transfers	$ 250,000	$ (250,000)

Transfers are used to move funds from the General Fund to the Food Service Fund to fund operations of the Food Service Fund.

NOTE 12 NONMONETARY TRANSACTIONS

The School District receives food commodities from the federal government to subsidize its hot lunch program. The market value of commodities received for the year ended June 30, 2022 was $21,641.

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local Sources	$ 2,770,303	$ 2,770,303	$ 2,846,798	$ 76,495
State Sources	3,515,035	3,515,035	3,668,449	153,414
Federal Sources	103,675	103,675	106,114	2,439
Other Sources	44,000	44,000	34,348	(9,652)
Total Revenues	$ 6,433,013	$ 6,433,013	$ 6,655,709	$ 222,696
EXPENDITURES				
Regular Instruction	$ 3,981,196	$ 3,981,196	$ 4,043,896	$ (62,700)
Special Education	451,044	451,044	462,187	(11,143)
Vocational Education	102,891	102,891	97,017	5,874
Federal Programs	70,690	70,690	167,738	(97,048)
Administration	475,244	475,244	507,074	(31,830)
District Wide Services	1,000	1,000	187	813
School Food Services	123,277	123,277	808	122,469
Operations and Maintenance of Plant	634,551	634,551	685,237	(50,686)
Transportation	509,777	509,777	505,731	4,046
Debt Service				
Principal	183,000	183,000	160,000	23,000
Interest	-	-	22,424	(22,424)
Total Expenditures	$ 6,532,670	$ 6,532,670	$ 6,652,299	$ (119,629)
Excess (Deficiency) of Revenues Over Expenditures	$ (99,657)	$ (99,657)	$ 3,410	$ 103,067
OTHER FINANCING SOURCES (USES)				
Sale of Capital Asset	$ -	$ -	$ 9,645	$ 9,645
Transfers In	125,000	125,000	125,000	-
Transfers Out	-	-	(125,000)	(125,000)
Total Other Financing Sources	125,000	125,000	9,645	(115,355)
Net Changes in Fund Balances	$ 25,343	$ 25,343	$ 13,055	$ (12,288)
Fund Balances - July 1	$ 2,136,043	$ 2,136,043	$ 2,278,403	$ 142,360
Fund Balances - June 30	$ 2,161,386	$ 2,161,386	$ 2,291,458	$ 130,072

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

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	0.346135%	$ (3,647,075)	$ 2,667,665	-136.71%	75.70%
2021	0.342594%	(5,243,421)	2,499,777	-209.76%	63.40%
2020	0.359575%	4,952,258	2,522,521	196.32%	65.50%
2019	0.383826%	5,115,857	2,609,285	196.06%	65.50%
2018	0.410096%	5,632,772	2,768,029	203.49%	63.20%
2017	0.405084%	5,934,715	2,631,930	225.49%	59.20%
2016	0.411900%	5,387,055	2,533,615	212.62%	62.10%
2015	0.406069%	4,254,883	2,355,419	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	$ 340,127	$ 340,127	-	$ 2,583,402	13.17%
2021	318,724	318,724	-	2,499,777	12.75%
2020	321,684	321,684	-	2,522,521	12.75%
2019	332,684	332,684	-	2,609,285	12.75%
2018	352,924	352,924	-	2,768,029	12.75%
2017	335,571	335,571	-	2,631,931	12.75%
2016	323,021	323,021	-	2,533,615	12.75%
2015	253,205	253,205	-	2,355,419	10.75%

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

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	0.070301%	$ 732,748	$ 796,085	92.04%	78.26%
2021	0.060308%	1,897,303	665,270	285.19%	48.91%
2020	0.063589%	745,309	661,439	112.68%	71.66%
2019	0.047350%	799,083	486,431	164.27%	62.80%
2018	0.398510%	640,536	406,820	157.45%	61.98%
2017	0.053143%	517,930	535,555	96.71%	70.46%
2016	0.043860%	298,241	390,719	76.33%	77.15%
2015	0.048612%	308,551	409,489	75.35%	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	$ 58,708	$ 52,099	$ 6,609	$ 872,314	5.97%
2021	47,107	47,009	98	665,270	7.07%
2020	48,156	43,636	4,520	661,439	6.60%
2019	35,828	35,702	126	486,431	7.34%
2018	29,499	38,382	(8,883)	406,820	9.43%
2017	38,773	37,091	1,682	535,555	6.93%
2016	29,680	29,095	585	391,739	7.43%
2015	29,156	29,156	-	409,489	7.12%

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

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	0.066632%	$ (37,059)	$ 726,457	-5.10%	76.63%
2021	0.058359%	(49,091)	665,270	-7.38%	63.38%
2020	0.059276%	47,610	661,439	7.20%	63.13%
2019	0.044455%	35,011	486,431	7.20%	61.89%
2018	0.037604%	29,745	406,820	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	$ 8,736	$ 8,007	$ 729	$ 671,383	1.19%
2021	7,816	7,527	289	665,270	1.13%
2020	7,693	6,987	706	661,439	1.06%
2019	5,706	5,733	(27)	486,431	1.18%
2018	4,729	6,145	(1,416)	406,820	1.51%

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

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 tenth day of August of each year.

- 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.

- Taxes for school district purposes must be based upon an itemized budget statement which must show the complete expenditure program of the district for the current fiscal year and the sources of the revenue from which it is to be financed.

- The operating budget includes proposed expenditures and means of financing them.

- The school board of each public school district, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the district and to provide a sinking fund to pay and discharge the principal thereof at maturity.

- No taxing district may certify any taxes or amend its current budget and no county auditor may accept a certification of taxes or amended budget after the tenth day of October of each year if such certification or amendment results in a change in the amount of tax levied.

- 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.

NOTE 2 CHANGES OF BENEFIT TERMS

Pension

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

OPEB

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

NOTE 3 CHANGES OF ASSUMPTIONS

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.

NOTE 4 SCHEDULE OF 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 5 EXPENDITURES IN EXCESS OF BUDGET

During fiscal year 2022, Lewis & Clark Public School District No. 161 had the following fund expenditures in excess of budgeted amounts:

Expenditures/Transfers Out	Final Budget	Actual	Excess
Major Fund			
General Fund	$ 6,532,670	$ 6,777,299	$ 244,629

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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

Lewis & Clark Public School Board
Lewis & Clark Public School District No. 161
Berthold, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in GAS 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 Lewis & Clark Public School District No. 161 as of and for the years ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Lewis & Clark Public School District No. 161's basic financial statements, and have issued our report thereon dated November 27, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lewis & Clark Public School District No. 161'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 Lewis & Clark Public School District No. 161's internal control. Accordingly, we do not express an opinion on the effectiveness of Lewis & Clark Public School District No. 161'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* as items 2022-001, 2022-002 and 2022-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lewis & Clark Public School District No. 161's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *schedule of audit findings* as item *2022-002.*

Lewis & Clark Public School District No. 161's Response to Findings

GAS requires the auditor to perform limited procedures on Lewis & Clark Public School District No. 161's response to the findings identified in our audit and described in the accompanying *schedule of audit findings.* Lewis & Clark Public School District No. 161'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 *GAS* 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
November 27, 2023

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?	X	Yes		None Noted
Significant deficiencies identified not considered to be material weaknesses?		Yes	X	None Noted
Noncompliance material to financial statements noted?	X	Yes		None Noted

2022-001 LACK OF SEGREGATION OF DUTIES – MATERIAL WEAKNESS

Condition

The Lewis and Clark Public School District has one business manager at each school 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, perform bank reconciliations, and prepare financial statements.

Effect

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of Lewis & Clark Public School District's financial condition whether due to error of fraud.

Cause

Management has chosen to allocate its economic resources to other functions of the Lewis & Clark Public School District.

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 Lewis & Clark Public School District.

Prior Recommendation

Yes.

Recommendation

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

- Expenditures, financial statements, bank reconciliations, credit memos, and payroll registers should be reviewed, analyzed, and spot-checked 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.

Lewis & Clark Public School District's Response

We agree. We are aware of the lack of segregation of duties. We currently have one business manager handle the district revenue and the other handle district expenditures. We have also hired a payroll/benefits manager to process payroll and manage benefits. She started in March 2022. Another employee assists her with employee timecards which are now on an electronic system to help limit calculation errors. Both business managers have a student activity account for their respective schools. We each handle a majority of the accounts but do have assistance from others. When receiving money to receipt to the activity accounts, most funds have been pre-counted by the advisor or AD and turned in with a form that lists the dollar denominations/check totals. We will take the considerations in the recommendation and try to segregate duties as much as our size allows.

2022-002 ENDOWMENT FUND – MATERIAL WEAKNESS & MATERIAL NON-COMPLIANCE

Condition

The Lewis & Clark Public School District has an endowment in the same name and under the same tax ID number of the School District. The endowment holds investments in equities and certain types of bonds not allowed under state law.

Effect

The School District may be in violation of N.D.C.C. §21-06-07.

Cause

The School District has not changed the types of investments held within the endowment fund as of June 30, 2022.

Criteria

N.D.C.C. §21-06-07 states,
1. Counties, cities, school districts, park districts, water resource boards, and townships in this state may invest moneys in their general fund, or balances in any special or temporary fund, in:
    a. Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress.
    b. Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of a type listed above.
    c. Certificates of deposit fully insured by the federal deposit insurance corporation or by the state.
    d. Certificates of deposit, savings deposits, or other deposits fully insured or guaranteed by the federal deposit insurance corporation and placed for the benefit of the public depositor by a public depository through an appropriate deposit placement service as determined by the commissioner of financial institutions.
    e. State and local securities:
        (1) Any security that is a general obligation of any state or local government with taxing powers and is rated in the highest three categories by a nationally recognized rating agency.
        (2) An obligation of the state housing finance agency that is rated in the highest two categories by a nationally recognized rating agency.
        (3) Any security that is a general obligation of a school district and is rated in the highest two categories by a nationally recognized rating agency.
        (4) Obligations of this state and general obligations of its political subdivisions.
    f. Commercial paper issued by a United States corporation rated in the highest quality category by at least two nationally recognized rating agencies and matures in two hundred seventy days or less.
2. Bonds, treasury bills and notes, or other securities so purchased must be taken into consideration in making levies for the ensuing year, and when funds are needed for current expenses, the governing board and authorities of such municipalities may convert those obligations into cash.

Prior Recommendation

Yes.

Recommendation

We recommend Lewis and Clark Public School District ensure compliance with N.D.C.C. §21-06-07 with regard to all investments held in the School District's name.

Lewis & Clark Public School District's Response

We agree, this issue has been corrected for 2023 as the investments and endowment fund are no longer in the name of the School District.

2022-003 USE OF ACCOUNTING SOFTWARE – MATERIAL WEAKNESS

Condition

Lewis & Clark Public School District is not fully utilizing its accounting software. The School District's student activity funds and endowment fund are not included in the software. In addition, the food service fund is not fully included in the software. Also, the accounting software is unable to generate a complete trial balance to facilitate efficient external financial reporting.

Effect

There is an increased risk the School District's financial statements could be misstated due to omission or errors related to not flowing through the accounting software.

Cause

Lewis & Clark Public School District has not updated reporting procedures to include all financial activity in the School District's software as of June 30, 2022.

Criteria

To ensure adequate internal control over financial reporting and prevent material misstatements due to errors or fraud, the School District's entire financial operations should be recorded in the financial statements.

Prior Recommendation

Yes.

Recommendation

We recommend Lewis and Clark Public School District implement reporting procedures to ensure all financial activity is included in the accounting software and to generate accurate financial reports.

Lewis & Clark Public School District's Response

We agree that the software was not fully utilized. (Just a note that the NSP Activities account was entered in the old software system and a monthly report was created. However, the reconciliation was not completed within the system and a trial balance was not available.) This issue has been corrected for 2023 as the school district has moved to a new software that is being correctly utilized. The conversion to the new software occurred on October 1, 2022 and funds 1, 3, 4, 5, 6 and 10 are included.

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GOVERNANCE COMMUNICATION

November 27, 2023

Lewis & Clark Public School Board
Lewis & Clark Public School District No. 161
Lewis & Clark, North Dakota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lewis & Clark Public School District No. 161, 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, GAS 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 June 16, 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 Lewis & Clark Public School District No. 161 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 Lewis & Clark Public School District No. 161 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 provided by management or detected as a result of audit procedures that were corrected by management.

2022 Adjustments	**Audit Adjustments**	
	Debit	**Credit**
Government Fund Adjustments		
General Fund		
Record Accounts Payable Adjustment		
Expenditures	37,529	
Accounts Payable		37,529
Record Intergovernmental Receivable Adjustment		
Intergovernmental Receivable	125,283	
Revenue		125,283
Non Major - Student Activities Fund		
Record Accounts Payable Adjustment		
Expenditures	8,687	
Accounts Payable		8,687
Non Major - Hot Lunch Fund		
Record Commodity Adjustment		
Expenditures	21,641	
Revenues		21,641

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 November 27, 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 Lewis & Clark Public School District No. 161’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 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* 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.

Restriction on Use

This information is intended solely for the use of Lewis & Clark Public School District No. 161 board members and management of Lewis & Clark Public School District No. 161, 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 Lewis & Clark Public School District No. 161 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 Lewis & Clark Public School District No. 161.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
November 27, 2023

Office of the State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

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