



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Medina Public School District No.3

Medina, North Dakota

Audit Report for the Years Ended June 30, 2022 and June 30, 2021

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Office of the
State Auditor

MEDINA PUBLIC SCHOOL DISTRICT No. 3

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MEDINA PUBLIC SCHOOL DISTRICT No.3

School District Officials

For the Years Ended June 30, 2022 and June 30, 2021

SCHOOL DISTRICT OFFICIALS

At June 30, 2022

Rory Hoffmann	Chairman
Jason Carlson	Vice-Chairman
Jeremy Schmidt	Board Member
Melissia Kleven	Board Member
Shawn Lachenmeier	Board Member
Shawn Gefroh	Board Member
Jacob Hofmann	Board Member
Damon Bosche	Superintendent
Dawn Moser	Business Manager

At June 30, 2021

Rory Hoffmann	Chairman
Jason Carlson	Vice-Chairman
Jeremy Schmidt	Board Member
Melissia Kleven	Board Member
Shawn Lachenmeier	Board Member
Shawn Gefroh	Board Member
Jacob Hofmann	Board Member
Damon Bosche	Superintendent
Dawn Moser	Business Manager

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INDEPENDENT AUDITOR'S REPORT

School Board of Directors
Medina Public School District No.3
Medina, North Dakota

Report on the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the Medina Public School District, as of and for the years ended June 30, 2022 and June 30, 2021, and the related notes to the financial statements, which collectively comprise the Medina Public School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Medina Public School District, Medina, North Dakota, as of June 30, 2022 and June 30, 2021, and the respective changes in financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1 to the financial statements.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in the 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 the Medina Public School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describe the basis of accounting. The Medina Public School District prepares its financial statements on the modified cash basis of accounting, which is a basis of accounting other than the accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Prior Period Restatement

As discussed in Note 2 to the financial statements, the 2020 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to these matters.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, Medina Public School District No.3 adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1 to the financial statements; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible 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 the Medina Public School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 an 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 the Medina Public School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Medina Public School District's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Medina Public School District's basic financial statements. 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 Supplementary Information*, are presented for purposes of

additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with the modified cash basis of accounting. In our opinion, 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 Supplementary Information* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with GAS, we have also issued our report dated June 16, 2023 on our consideration of the Medina Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of the effectiveness of the Medina Public School District's internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with GAS in considering the Medina Public School District's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
June 16, 2023

MEDINA PUBLIC SCHOOL DISTRICT No. 3

Statement of Net Position – Modified Cash Basis

June 30, 2022

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 1,953,078
Capital Assets	
Nondepreciable	1,450
Depreciable, Net	<u>1,201,179</u>
 Total Assets	 <u>\$ 3,155,707</u>
 NET POSITION	
Net Investment in Capital Assets	\$ 1,202,629
Restricted	
Capital Projects	383,419
Special Purposes	178,890
Unrestricted	<u>1,390,769</u>
 Total Net Position	 <u>\$ 3,155,707</u>

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

MEDINA PUBLIC SCHOOL DISTRICT No. 3

Statement of Activities – Modified Cash Basis

For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					Governmental Activities
Regular Instruction	\$ 1,207,371	\$ -	\$ 8,721	\$ -	\$ (1,198,650)
Special Education	255,328	-	125,135	-	(130,193)
Vocational Education	172,962	-	58,592	-	(114,370)
Federal Programs	378,931	-	361,617	-	(17,314)
District Wide Services	44,028	-	-	-	(44,028)
Administration	453,790	-	-	-	(453,790)
School Food Services	187,045	6,556	188,160	-	7,671
Operations and Maintenance	346,826	-	-	22,447	(324,379)
Transportation	215,133	4,500	184,157	-	(26,476)
Co-curricular Activities	176,207	-	188,076	-	11,869
Other Programs & Services	108,525	-	-	-	(108,525)
Total Governmental Activities	\$ 3,546,146	\$ 11,056	\$ 1,114,458	\$ 22,447	\$ (2,398,185)
General Revenues					
Property Taxes					\$ 828,724
Loss on Disposal of Capital Asset					(5,750)
State Grants/Aid - Unrestricted					1,942,445
Interest Income					4,559
Miscellaneous Revenue					69,811
Total General Revenues					\$ 2,839,789
Changes in Net Position					\$ 441,604
Net Position - July 1					\$ 2,714,103
Net Position - June 30					\$ 3,155,707

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

MEDINA PUBLIC SCHOOL DISTRICT No. 3

Balance Sheet – Governmental Funds – Modified Cash Basis

June 30, 2022

	General Fund	Building Fund	Special Revenue Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 1,390,769	\$ 383,419	\$ 178,890	\$ 1,953,078
FUND BALANCES				
Fund Balances				
Restricted				
Capital Projects	\$ -	\$ 383,419	\$ -	\$ 383,419
Student Activity	-	-	133,393	133,393
Assigned				
Food Service	-	-	45,497	45,497
Unassigned	1,390,769	-	-	1,390,769
Total Fund Balances	\$ 1,390,769	\$ 383,419	\$ 178,890	\$ 1,953,078
Total Liabilities and Fund Balances	\$ 1,390,769	\$ 383,419	\$ 178,890	\$ 1,953,078

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

MEDINA PUBLIC SCHOOL DISTRICT No. 3

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

Total Fund Balances for Governmental Funds	\$ 1,953,078
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.	<u>1,202,629</u>
Total Net Position of Governmental Activities	<u><u>\$ 3,155,707</u></u>

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

MEDINA PUBLIC SCHOOL DISTRICT No. 3

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

	General Fund	Building Fund	Special Revenue Funds	Total Governmental Funds
REVENUES				
Local Sources	\$ 674,993	\$ 181,026	\$ 199,034	\$ 1,055,053
State Sources	2,319,983	-	316	2,320,299
Federal Sources	384,064	-	187,843	571,907
Other Sources	26,741	19,501	-	46,242
Total Revenues	\$ 3,405,781	\$ 200,527	\$ 387,193	\$ 3,993,501
EXPENDITURES				
Current				
Regular Instruction	\$ 1,184,838	\$ -	\$ -	\$ 1,184,838
Special Education	255,328	-	-	255,328
Vocational Education	172,962	-	-	172,962
Federal Programs	378,931	-	-	378,931
District Wide Services	34,853	-	-	34,853
Administration	453,790	-	-	453,790
School Food Services	-	-	194,038	194,038
Operations and Maintenance of Plant	285,973	73,050	-	359,023
Transportation	226,016	-	-	226,016
Co-curricular Activities	-	-	176,207	176,207
Other Programs and Services	108,525	-	-	108,525
Total Expenditures	\$ 3,101,216	\$ 73,050	\$ 370,245	\$ 3,544,511
Excess (Deficiency) of Revenues Over Expenditures	\$ 304,565	\$ 127,477	\$ 16,948	\$ 448,990
OTHER FINANCING SOURCES AND (USES)				
Sale of Capital Asset	\$ 7,500	\$ -	\$ -	\$ 7,500
Total Other Financing Sources and Uses	\$ 7,500	\$ -	\$ -	\$ 7,500
Net Change in Fund Balances	\$ 312,065	\$ 127,477	\$ 16,948	\$ 456,490
Fund Balances - July 1	\$ 1,078,704	\$ 255,942	\$ 161,942	\$ 1,496,588
Fund Balances - June 30	\$ 1,390,769	\$ 383,419	\$ 178,890	\$ 1,953,078

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

MEDINA PUBLIC SCHOOL DISTRICT No. 3

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities – Modified Cash Basis
For the Year Ended June 30, 2022

Net Change in Fund Balances - Total Governmental Funds \$ 456,490

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.

Current Year Capital Additions	\$ 115,517	
Current Year Depreciation Expense	<u>(117,153)</u>	(1,636)

In the statement of activities, only the gain on the sale 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.

Loss on Sale of Capital Assets	\$ (5,750)	
Proceeds from Sale of Capital Assets	<u>(7,500)</u>	<u>(13,250)</u>

Change in Net Position of Governmental Activities \$ 441,604

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

MEDINA PUBLIC SCHOOL DISTRICT No. 3

Statement of Net Position – Modified Cash Basis

June 30, 2021

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 1,496,588
Capital Assets	
Nondepreciable	39,206
Depreciable, Net	<u>1,178,309</u>
Total Assets	<u>\$ 2,714,103</u>
NET POSITION	
Net Investment in Capital Assets	\$ 1,217,515
Restricted	
Capital Projects	255,942
Special Purposes	161,942
Unrestricted	<u>1,078,704</u>
Total Net Position	<u>\$ 2,714,103</u>

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

MEDINA PUBLIC SCHOOL DISTRICT No. 3

Statement of Activities – Modified Cash Basis

For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					Governmental Activities
Regular Instruction	\$ 1,106,303	\$ -	\$ 5,488	\$ 27,106	\$ (1,073,709)
Special Education	233,646	-	126,275	-	(107,371)
Vocational Education	160,347	-	-	-	(160,347)
Federal Programs	306,624	-	150,491	-	(156,133)
District Wide Services	60,182	-	-	-	(60,182)
Administration	406,235	-	-	-	(406,235)
School Food Services	110,267	2,152	151,387	-	43,272
Operations and Maintenance	279,054	-	-	48,552	(230,502)
Transportation	221,228	4,850	145,252	-	(71,126)
Co-curricular Activities	131,483	-	150,304	-	18,821
Other Programs & Services	99,390	-	-	-	(99,390)
Total Governmental Activities	\$ 3,114,759	\$ 7,002	\$ 729,197	\$ 75,658	\$ (2,302,902)
General Revenues					
Property Taxes					\$ 820,950
Loss on Disposal of Capital Asset					(5,775)
State Grants/Aid - Unrestricted					1,811,778
Federal Grants - Unrestricted					6,700
Interest Income					4,662
Miscellaneous Revenue					78,551
Total General Revenues					\$ 2,716,866
Changes in Net Position					\$ 413,964
Net Position - July 1					\$ 2,138,266
Prior Period Adjustment					\$ 161,873
Net Position - July 1, as restated					\$ 2,300,139
Net Position - June 30					<u>\$ 2,714,103</u>

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

MEDINA PUBLIC SCHOOL DISTRICT No. 3

Balance Sheet – Governmental Funds – Modified Cash Basis
June 30, 2021

	General Fund	Building Fund	Special Revenue Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 1,078,704	\$ 255,942	\$ 161,942	\$ 1,496,588
FUND BALANCES				
Fund Balances				
Restricted				
Capital Projects	\$ -	\$ 255,942	\$ -	\$ 255,942
Student Activity	-	-	121,524	121,524
Assigned				
Food Service	-	-	40,418	40,418
Unassigned	1,078,704	-	-	1,078,704
Total Fund Balances	\$ 1,078,704	\$ 255,942	\$ 161,942	\$ 1,496,588
Total Liabilities and Fund Balances	\$ 1,078,704	\$ 255,942	\$ 161,942	\$ 1,496,588

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

MEDINA PUBLIC SCHOOL DISTRICT No. 3

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position – Modified Cash Basis
June 30, 2021

Total Fund Balances for Governmental Funds \$ 1,496,588

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. 1,217,515

Total Net Position of Governmental Activities \$ 2,714,103

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

MEDINA PUBLIC SCHOOL DISTRICT No. 3

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Modified Cash Basis
For the Year Ended June 30, 2021

	General Fund	Building Fund	Special Revenue Funds	Total Governmental Funds
REVENUES				
Local Sources	\$ 666,627	\$ 181,244	\$ 157,067	\$ 1,004,938
State Sources	2,099,450	-	183	2,099,633
Federal Sources	199,224	-	151,206	350,430
Other Sources	41,386	38,111	-	79,497
Total Revenues	\$ 3,006,687	\$ 219,355	\$ 308,456	\$ 3,534,498
EXPENDITURES				
Current				
Regular Instruction	\$ 1,116,297	\$ -	\$ -	\$ 1,116,297
Special Education	233,646	-	-	233,646
Vocational Education	160,347	-	-	160,347
Federal Programs	306,624	-	-	306,624
District Wide Services	38,844	-	-	38,844
Administration	406,235	-	-	406,235
School Food Services	-	-	126,095	126,095
Operations and Maintenance of Plant	199,935	147,767	-	347,702
Transportation	278,951	-	-	278,951
Co-curricular Activities	-	-	131,483	131,483
Other Programs and Services	99,390	-	-	99,390
Total Expenditures	\$ 2,840,269	\$ 147,767	\$ 257,578	\$ 3,245,614
Excess (Deficiency) of Revenues Over Expenditures	\$ 166,418	\$ 71,588	\$ 50,878	\$ 288,884
OTHER FINANCING SOURCES AND (USES)				
Sale of Capital Asset	\$ 10,000	\$ -	\$ -	\$ 10,000
Total Other Financing Sources and Uses	\$ 10,000	\$ -	\$ -	\$ 10,000
Net Change in Fund Balances	\$ 176,418	\$ 71,588	\$ 50,878	\$ 298,884
Fund Balances - July 1	\$ 843,116	\$ 184,354	\$ 8,361	\$ 1,035,831
Prior Period Adjustment	\$ 59,170	\$ -	\$ 102,703	\$ 161,873
Fund Balances - July 1 Restated	\$ 902,286	\$ 184,354	\$ 111,064	\$ 1,197,704
Fund Balances - June 30	\$ 1,078,704	\$ 255,942	\$ 161,942	\$ 1,496,588

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

MEDINA PUBLIC SCHOOL DISTRICT No. 3

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities – Modified Cash Basis
For the Year Ended June 30, 2021

Net Change in Fund Balances - Total Governmental Funds \$ 298,884

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.

Current Year Capital Additions	\$ 224,733	
Current Year Depreciation Expense	<u>(93,878)</u>	130,855

In the statement of activities, only the gain on the sale 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.

Gain on Sale of Capital Assets	\$ (5,775)	
Proceeds from Sale of Capital Assets	<u>(10,000)</u>	<u>(15,775)</u>

Change in Net Position of Governmental Activities \$ 413,964

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

MEDINA PUBLIC SCHOOL DISTRICT No. 3

Notes to the Financial Statements

For the Years Ended June 30, 2022 and June 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Medina Public School District ("School District") have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 such that exclusion would cause the School District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the School District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the School District.

Based on these criteria, there are no component units to be included within the School District as a 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, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

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

The School District reports the following major governmental funds:

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

Building Fund. This fund accounts for the acquisition and construction of the School District's capital facilities.

Special Revenue Funds. These funds account for the school food program as well as the student activity fund.

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, within the limitations of the modified cash basis of accounting.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred.

This basis differs from accounting principles generally accepted in the United States of America because accounts receivable, accounts payable, and accrued expenses are not included in the financial statements. Only capital assets are recorded under the basis of accounting described above on the statement of net position. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Cash and Investments

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

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical 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. 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:

Asset	Years
Buildings	50 - 100
Land	Indefinite
Vehicles	5 - 15
Equipment	5 - 15

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Teachers' Fund for Retirement (TFFR), and of the North Dakota Public Employee's System (NDPERS), and additions to/deductions from TFFR's/NDPERS' fiduciary net position have been determined on the same basis as they are reported by TFFR/NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability is not reported under the modified cash basis of accounting, but the information is disclosed in the pension note disclosure. Note 7, is shown as additional information to the users of the financial statements.

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, 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. The net OPEB liability is not reported under the modified cash basis of accounting, but the information is disclosed in the OPEB note disclosure. Note 8, is shown as additional information to the users of the financial statements.

Fund Balances

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

Assigned Fund Balances. Assigned fund balance consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the School District's intended use and are established by the School Board and management.

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

It is the policy of the School District to spend restricted resources first, followed by unrestricted resources. It is also the policy of the School District to spend unrestricted resources in the following order: committed, assigned, unassigned.

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.

New Accounting Pronouncement

During the year ended June 30, 2021 the District adopted new accounting guidance by implementing the provisions of GASB Statement No. 84. Fiduciary Activities, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by recording the student activity funds as a special revenue fund as part of the governmental funds. The student activity funds were not previously reported as governmental funds and as such were not recorded in ending net position of the statement of activities. Beginning net position on the statement of activities and fund balance on the statement of revenues, expenditures and changes in fund balance have been restated to reflect this change.

NOTE 2 PRIOR PERIOD ADJUSTMENTS

Prior Period Errors/ Change in Accounting Principle – GASB 84 – Fiduciary Activities:

The July 1, 2020, general fund and other governmental funds beginning balance of the School District has been restated for the implementation of GASB 84 and a cash error. The adjustments increase the other governmental funds balance, decrease the general fund balance, and increased the government wide net position.

Adjustments to beginning fund balance/net position are as follows:

	General Fund	Special Revenue Funds	Governmental Activities
Beginning Fund Balance, as previously reported	\$ 843,116	\$ 8,361	\$ 2,138,266
Adjustments to restate the July 1, 2020 Fund Balance/Net Position			
Cash Error	59,170	-	59,170
GASB 84 Implementation	-	102,703	102,703
Fund Balance/Net Position July 1, as restated	\$ 902,286	\$ 111,064	\$ 2,300,139

NOTE 3 PROPERTY TAXES

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1. 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 are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

NOTE 4 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 years ended June 30, 2022 and June 30, 2021 was \$10,614 and \$8,682.

NOTE 5 DEPOSITS AND INVESTMENTS

Custodial Credit Risk

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

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

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

At year ended June 30, 2022, the School District’s carrying amount of deposits was \$1,861,883 and the bank balances totaled \$2,022,267. Of the bank balances, \$441,171 was covered by Federal Depository Insurance, while the remaining balances were collateralized with securities held by the pledging financial institution’s agent in the government’s name.

MEDINA PUBLIC SCHOOL DISTRICT No. 3
Notes to the Financial Statements – Continued

At year ended June 30, 2021, the School District’s carrying amount of deposits was \$1,526,201 and the bank balances totaled \$1,634,649. Of the bank balances, \$500,000 was covered by Federal Depository Insurance, while the remaining balances were collateralized with securities held by the pledging financial institution’s agent in the government’s name.

NOTE 6 CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended June 30, 2022 and June 30, 2021:

2022	Balance July 1	Increases	Decreases	Balance June 30
<i>Capital assets not being depreciated</i>				
Land	\$ 1,450	\$ -	\$ -	\$ 1,450
Construction in Progress	37,756	22,446	60,202	-
Total Capital Assets, Not Being Depreciated	\$ 39,206	\$ 22,446	\$ 60,202	\$ 1,450
<i>Capital assets being depreciated</i>				
Buildings	\$ 1,638,534	\$ 60,202	\$ -	\$ 1,698,736
Equipment	404,978	30,071	-	435,049
Vehicles	589,439	63,000	22,500	629,939
Total Capital Assets, Being Depreciated	\$ 2,632,951	\$ 153,273	\$ 22,500	\$ 2,763,724
<i>Less Accumulated Depreciation for</i>				
Buildings	\$ 1,096,758	\$ 27,097	\$ -	\$ 1,123,855
Equipment	149,050	40,756	-	189,806
Vehicles	208,833	49,301	9,250	248,884
Total Accumulated Depreciation	\$ 1,454,641	\$ 117,154	\$ 9,250	\$ 1,562,545
Total Capital Assets Being Depreciated, Net	\$ 1,178,310	\$ 36,119	\$ 13,250	\$ 1,201,179
Governmental Activities Capital Assets, Net	\$ 1,217,516	\$ 58,565	\$ 73,452	\$ 1,202,629

2021	Balance July 1	Increases	Decreases	Balance June 30
<i>Capital assets not being depreciated</i>				
Land	\$ 1,450	\$ -	\$ -	\$ 1,450
Construction in Progress	22,829	14,927	-	37,756
Total Capital Assets, Not Being Depreciated	\$ 24,279	\$ 14,927	\$ -	\$ 39,206
<i>Capital assets being depreciated</i>				
Buildings	\$ 1,638,534	\$ -	\$ -	\$ 1,638,534
Equipment	297,072	107,906	-	404,978
Vehicles	526,975	101,900	39,436	589,439
Total Capital Assets, Being Depreciated	\$ 2,462,581	\$ 209,806	\$ 39,436	\$ 2,632,951
<i>Less Accumulated Depreciation for</i>				
Buildings	\$ 1,069,661	\$ 27,097	\$ -	\$ 1,096,758
Equipment	123,630	25,420	-	149,050
Vehicles	191,133	41,361	23,660	208,834
Total Accumulated Depreciation	\$ 1,384,424	\$ 93,878	\$ 23,660	\$ 1,454,642
Total Capital Assets Being Depreciated, Net	\$ 1,078,157	\$ 115,928	\$ 15,776	\$ 1,178,309
Governmental Activities Capital Assets, Net	\$ 1,102,436	\$ 130,855	\$ 15,776	\$ 1,217,515

Depreciation expense was charged to functions of the School District for 2022 and 2021 respectively as follows:

Depreciation by Function:	2022	2021
Transportation	\$ 52,117	\$ 44,177
Regular Instruction	22,533	17,112
Operations & Maintenance	10,250	3,474
District Wide	30,670	29,115
Food Service	1,584	-
Total	\$ 117,154	\$ 93,878

NOTE 7 PENSION PLANS

General Information about the TFFR Pension Plan

North Dakota Teachers’ Fund for Retirement

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

Internal Revenue Code.

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

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

If reporting on the full accrual basis of accounting, at June 30, 2022 and June 30, 2021 the School District would report the following net pension liabilities:

MEDINA PUBLIC SCHOOL DISTRICT No. 3
Notes to the Financial Statements – Continued

	TFFR Liability
School District - 2022	\$ 1,512,035
School District - 2021	2,289,847

The net pension liability was measured on July 1, 2021 and July 1, 2020 respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of covered payroll in pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2021 and July 1, 2020, the entity had the following proportions and change in proportions:

	Proportion	Increase (Decrease) in Proportion from July 1 Measurement Date
School District - 2022	0.143504%	-0.006110%
School District - 2021	0.149614%	0.001548%

There were no deferred inflows or outflows of resources reported on the School District's financial statements as they are reporting on the modified cash basis of accounting.

Actuarial Assumptions

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

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

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

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

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

The long-term expected rate of return on TFFR investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the TFFR target asset allocation as of June 30, 2021, is summarized in the following table:

MEDINA PUBLIC SCHOOL DISTRICT No. 3
Notes to the Financial Statements – Continued

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

Discount Rate

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed 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, TFFR’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members as of July 1, 2021. Therefore, the long-term expected rate of return on TFFR investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount rate

The following presents the net pension liability of the TFFR employers calculated using the discount rate of 7.25% as of June 30, 2021, as well as what the employers’ net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher 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	\$ 2,270,376	\$ 1,512,035	\$ 882,309

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>.

General Information about the NDPERS Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

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

If reporting on the full accrual basis of accounting, at June 30, 2022 and June 30, 2021 the School District would report the following net pension liabilities:

	Net Pension Liability
School District - 2022	\$ 282,484
School District - 2021	781,881

The net pension liability was measured as of June 30, 2021 and June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the district's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2021 and June 30, 2020, the School District had the following proportions and change in proportion.

	Proportion	Increase (Decrease) in Proportion from June 30 Measurement Date
School District - 2022	0.027102%	0.002249%
School District - 2021	0.024853%	0.000120%

There were no deferred inflows or outflows of resources reported on the School District's financial statements as they are reporting on the modified cash basis of accounting.

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District’s Proportionate Share of the Net Pension Liability	\$ 449,245	\$ 282,484	\$ 143,630

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 8 OPEB PLAN

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney

General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

OPEB Benefits

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

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

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

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

If reporting on the full accrual basis of accounting, at June 30, 2022 and June 30, 2021 the School District would report the following net OPEB liabilities:

	Net OPEB Liability
School District - 2022	\$ 13,974
School District - 2021	20,231

The net OPEB liability was measured as of June 30, 2021 and June 30, 2020 respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on its share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2021 and June 30, 2020 respectively, the School District had the following proportion and change in proportion:

	Proportion	Increase (Decrease) in Proportion from June 30 Measurement Date
School District - 2022	0.025126%	0.001076%
School District - 2021	0.024050%	0.000995%

There were no deferred inflows or outflows of resources reported on the School District's financial statements as they are reporting on the modified cash basis of accounting.

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	\$ 20,726	\$ 13,974	\$ 8,262

NOTE 9 RISK MANAGEMENT

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

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

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 political subdivision with blanket fidelity bond coverage in the amount of \$1,291,877 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

NOTE 10 CONSTRUCTION COMMITMENTS

Medina Public School District No.3 had one open construction commitment as of June 30, 2022 as follows:

Project	Contract Amount	Total Completed	Retainages	Remaining Balance
Roof Project	\$ 113,077	\$ -	\$ -	\$ 113,077

NOTE 11 SUBSEQUENT EVENTS

Medina Public School District No.3 had the following events happen after year end:

- On 8/12/2022 the school district approved:
 - The sale of the District House in the amount of \$110,000.
 - The purchase of a 71-passenger bus totaling \$119,150.
- On 4/14/2023 the school district approved
 - The purchase of a 2023 Ford Expedition on a State Contract totaling \$52,495.

MEDINA PUBLIC SCHOOL DISTRICT No. 3

Budgetary Comparison Schedule - General Fund

For the Years Ended June 30, 2022 and June 30, 2021

	FY2022				FY2021			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES								
Local Sources	\$ 668,810	\$ 668,810	\$ 674,993	\$ 6,183	\$ 637,007	\$ 637,007	\$ 666,627	\$ 29,620
State Sources	2,214,415	2,214,415	2,319,983	105,568	1,966,714	1,966,714	2,099,450	132,736
Federal Sources	106,607	106,607	384,064	277,457	97,820	97,820	199,224	101,404
Other Sources	15,000	15,000	26,741	11,741	15,000	15,000	41,386	26,386
Total Revenues	\$ 3,004,832	\$ 3,004,832	\$ 3,405,781	\$ 400,949	\$ 2,716,541	\$ 2,716,541	\$ 3,006,687	\$ 290,146
EXPENDITURES								
Current								
Regular Instruction	\$ 1,195,650	\$ 1,195,650	\$ 1,184,838	\$ 10,812	\$ 1,155,450	\$ 1,155,450	\$ 1,116,297	\$ 39,153
Special Education	248,350	248,350	255,328	(6,978)	221,100	221,100	233,646	(12,546)
Vocational Education	167,028	167,028	172,962	(5,934)	162,255	162,255	160,347	1,908
Federal Programs	107,519	107,519	378,931	(271,412)	86,800	86,800	306,624	(219,824)
District Wide Services	43,000	43,000	34,853	8,147	73,250	73,250	38,844	34,406
Administration	432,800	432,800	453,790	(20,990)	414,754	414,754	406,235	8,519
Operations and Maintenance	201,100	201,100	285,973	(84,873)	199,715	199,715	199,935	(220)
Transportation	384,250	384,250	226,016	158,234	280,850	280,850	278,951	1,899
Other Programs & Services	110,000	110,000	108,525	1,475	90,000	90,000	99,390	(9,390)
Total Expenditures	\$ 2,889,697	\$ 2,889,697	\$ 3,101,216	\$ (211,519)	\$ 2,684,174	\$ 2,684,174	\$ 2,840,269	\$ (156,095)
Excess (Deficiency) of Revenues Over Expenditures	\$ 115,135	\$ 115,135	\$ 304,565	\$ 189,430	\$ 32,367	\$ 32,367	\$ 166,418	\$ 134,051
OTHER FINANCING SOURCES								
Sale of Capital Asset	\$ -	\$ -	\$ 7,500	\$ 7,500	\$ -	\$ -	\$ 10,000	\$ 10,000
Net Changes in Fund Balances	\$ 115,135	\$ 115,135	\$ 312,065	\$ 196,930	\$ 32,367	\$ 32,367	\$ 176,418	\$ 144,051
Fund Balances - July 1	\$ 875,483	\$ 875,483	\$ 1,078,704	\$ 203,221	\$ 843,116	\$ 843,116	\$ 843,116	\$ -
Prior Period Adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,170	\$ 59,170
Fund Balances - July 1 Restated	\$ 875,483	\$ 875,483	\$ 1,078,704	\$ 203,221	\$ 843,116	\$ 843,116	\$ 902,286	\$ 59,170
Fund Balances - June 30	\$ 990,618	\$ 990,618	\$ 1,390,769	\$ 400,151	\$ 875,483	\$ 875,483	\$ 1,078,704	\$ 203,221

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

MEDINA PUBLIC SCHOOL DISTRICT No. 3

Schedule of Employer’s Share of Net Pension Liability and Employer Contributions
 For the Years Ended June 30, 2022 and June 30, 2021

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

PSD	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	0.143504%	1,512,035	1,105,983	136.71%	75.70%
2021	0.149614%	2,289,847	1,091,674	209.76%	63.40%
2020	0.148066%	2,039,245	1,038,726	196.32%	65.51%
2019	0.149614%	2,289,847	1,066,599	164.27%	65.50%
2018	0.148066%	2,039,245	1,097,831	185.75%	63.20%
2017	0.159426%	2,335,682	1,035,829	225.49%	59.20%
2016	0.148756%	1,945,513	915,003	212.62%	62.10%
2015	0.157763%	1,653,077	915,109	180.64%	66.60%

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

PSD	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	\$ 141,013	\$ 141,013	-	1,105,983	12.75%
2021	139,190	139,190	-	1,091,674	12.75%
2020	132,438	132,438	-	1,038,726	12.75%
2019	135,991	135,991	-	1,066,599	12.75%
2018	139,973	139,973	-	1,097,831	12.75%
2017	132,068	132,068	-	1,035,829	12.75%
2016	116,658	116,658	-	915,003	12.75%
2015	98,373	98,373	-	915,109	10.75%

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

MEDINA PUBLIC SCHOOL DISTRICT No. 3

Schedule of Employer’s Share of Net Pension Liability and Employer Contributions – Continued

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

PSD	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	0.027102%	\$ 282,484	\$ 306,899	92.04%	78.26%
2021	0.024853%	781,881	274,158	285.19%	48.91%
2020	0.024733%	289,889	257,265	112.68%	71.66%
2019	0.024455%	412,705	251,231	164.27%	62.80%
2018	0.021002%	337,571	214,401	157.45%	61.98%
2017	0.020332%	198,155	204,898	96.71%	70.46%
2016	0.021156%	143,857	188,475	76.33%	77.15%
2015	0.022013%	139,721	185,440	75.35%	77.70%

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

PSD	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	\$ 22,633	\$ 21,800	833	306,899	7.10%
2021	19,413	20,094	(681)	274,158	7.33%
2020	18,730	18,151	579	257,265	7.06%
2019	18,504	17,609	895	251,231	7.01%
2018	15,546	15,070	476	214,401	7.03%
2017	14,834	15,219	(385)	204,898	7.43%
2016	14,316	13,419	897	188,475	7.60%
2015	13,203	13,203	-	185,440	7.60%

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

MEDINA PUBLIC SCHOOL DISTRICT No. 3

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions
 For the Years Ended June 30, 2022 and June 30, 2021

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

PSD	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2022	0.025126%	\$ 13,974	\$ 273,942	5.10%	76.63%
2021	0.024050%	20,231	274,158	7.38%	63.38%
2020	0.023055%	18,517	257,265	7.20%	63.13%
2019	0.024050%	20,231	251,231	8.05%	61.89%
2018	0.019818%	15,676	214,401	7.31%	59.78%

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

PSD	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	\$ 3,294	\$ 3,121	173	273,942	1.14%
2021	3,221	3,217	4	274,158	1.17%
2020	2,992	2,906	86	257,265	1.13%
2019	2,947	2,819	128	251,231	1.12%
2018	2,492	2,378	114	214,401	1.11%

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

MEDINA PUBLIC SCHOOL DISTRICT No. 3

Notes to the Supplementary Information

For the Years Ended June 30, 2022 and June 30, 2021

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

OPEB

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

NOTE 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 & 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 years 2021 and 2022, Medina Public School No.3 had the following fund expenditures in excess of budgeted amounts:

General Fund			
Year	Budget	Actual	Excess
2022	\$ 2,889,697	\$ 3,101,216	\$ 211,519
2021	2,684,174	2,840,269	156,095

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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

School Board of Directors
Medina Public School District No.3
Medina, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund, of Medina Public School District No.3 as of and for the years ended June 30, 2022 and June 30, 2021, and the related notes to the financial statements, which collectively comprise the Medina Public School District's basic financial statements, and have issued our report thereon June 16, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Medina Public School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Medina Public School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Medina Public School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings as item 2022-001, and 2022-002 that we consider to be a material weakness.

MEDINA PUBLIC SCHOOL DISTRICT No. 3

Report on Internal control over Compliance Required by the Uniform Guidance - Continued

Report on Compliance and Other Matters

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

Medina Public School District's Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
June 16, 2023

MEDINA PUBLIC SCHOOL DISTRICT No. 3

Summary of Auditor's Results

For the Years Ended June 30, 2022 and June 30, 2021

Financial Statements

Type of Report Issued:

Governmental Activities – Modified Cash Basis

Unmodified

Major Funds – Modified Cash Basis

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?

 Yes X None Noted

MEDINA PUBLIC SCHOOL DISTRICT No. 3

Schedule of Audit Findings

For the Years Ended June 30, 2022 and June 30, 2021

2022-001 LACK OF SEGREGATION OF DUTIES – MATERIAL WEAKNESS

Condition

Medina Public School District No.3 has limited staff 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 the check register, and maintain the general ledger.

Effect

The lack of segregation of duties increases the risk of material misstatements to Medina Public School District No.3's financial condition, whether due to error or fraud.

Cause

Management has chosen to allocate its economic resources to other functions of the School District.

Criteria

Proper internal controls according to the COSO framework include controls surrounding the custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements. The framework dictates there should be sufficient accounting personnel so that duties of employees are properly segregated. Proper segregation of duties would provide better control over the assets of Medina Public School District No.3.

Repeat Finding

Yes.

Recommendation

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

- Financial Statements, 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.

Medina Public School District No. 3's Response

Agree. Medina Public School District No.3 agrees and will segregate duties as it becomes feasible.

2022-002 AUDIT ADJUSTMENTS – MATERIAL WEAKNESS

Condition

Auditor-identified adjusting entries were proposed to properly reflect the financial statements in accordance with the modified cash basis of accounting. The financial statements reflect the adjustments and were approved by management.

Effect

The financial statements may have been materially misstated if the adjustments were not made during the audit.

Cause

Management wanted to report revenues and expenditures intended for a specific school year that were reported in the school year rather than when cash was received or expended.

Criteria

Medina Public School District No.3 is responsible for ensuring its annual financial statements, including revenues and expenditures, are reliable, appropriately classified, accurate, free of material misstatement, and in accordance with the modified cash basis of accounting.

Repeat Finding

Yes.

Recommendation

We recommend that Medina Public School District No.3 review all adjusting entries to ensure its financial statements are accurately presented and in accordance with the modified cash basis of accounting.

Medina Public School District No. 3's Response

Agree. Medina Public School District No.3 agrees to review all entries to determine if they are accurately presented. Additionally, in FY2022 the school district has coded accounts receivables and payables in the general ledger to identify amounts coming in/out after year-end.

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GOVERNANCE COMMUNICATION

June 16, 2023

School Board of Directors
Medina Public School District
Medina, North Dakota

We have audited the financial statements of the governmental activities and each major fund of the Medina Public School District, as of and for the years ended June 30, 2022 and June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 10, 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 Medina Public School District 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 2020. We noted no transactions entered into by the Medina Public School District 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 schedule lists all misstatements provided by management or detected as a result of audit procedures that were corrected by management.

2022 Adjustments	<u>Audit Adjustments</u>	
Government Wide		
<i>To adjust capital assets</i>		
Capital Assets, Net	6,020	-
Net Position	-	6,020
<i>To reclassify Capital Contribution</i>		
Revenue	22,447	-
Expenditures	-	22,447
Governmental Funds		
<u>General Fund</u>		
<i>To record revenue in correct period</i>		
Cash	85,888	-
Revenue	-	85,888
<i>To adjust Cash Amount for Summer Payroll</i>		
Cash	91,195	-
Expenditures	-	91,195
2021 Adjustments	<u>Audit Adjustments</u>	
Government Wide		
<i>To adjust capital assets</i>		
Net Position	22,447	-
Capital, Assets, Net	-	22,447
<i>To reclassify Capital Contribution</i>		
Revenue	75,657	-
Expenditures	-	75,657
Governmental Funds		
<u>General Fund</u>		
<i>To adjust Cash Amount for Summer Payroll</i>		
Cash	84,123	-
Expenditures	-	84,123
<i>To Accrue Prior Period Adjustment</i>		
Expenditures	59,170	-
General Fund Balance/Net Position	-	59,170
<i>To record revenue in correct period</i>		
Revenue	85,888	-
Cash	-	85,888

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 16, 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 School District'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 were engaged to report on the *budgetary comparison schedules, and Schedule of Employer's Share of Net Pension Liability and Employer Contributions, Schedule of Employer's Share of Net OPEB Liability and Employer Contributions*, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the School Board and management of the Medina Public School District, 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 the Medina Public School District 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 the Medina Public School District.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
June 16, 2023



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

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