

**MINOT PUBLIC SCHOOL DISTRICT NO. 1
MINOT, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
FINANCIAL STATEMENTS	
Statement of Net Position	13
Statement of Activities	14
Balance Sheet - Governmental Funds	15
Reconciliation of Governmental Funds Balance Sheet to the District-Wide Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	17
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances with the District - Wide Statement of Activities	19
Statement of Net Position - Proprietary Fund	20
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund	21
Statement of Cash Flows - Proprietary Fund	22
Statement of Fiduciary Net Position - Fiduciary Funds	23
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	24
Notes to the Financial Statements	25
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	61
Schedule of Employer Contributions – Pension	62
Schedule of Employer Contributions – OPEB	63
Schedule of Employer's Proportionate Share of Net Pension Liability	64
Schedule of Employer's Share of Net OPEB Liability	65
Notes to the Required Supplementary Information	66

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	69
Notes to the Schedule of Expenditures of Federal Awards	70
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	71
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	73
Schedule of Findings and Questioned Costs	76
Schedule of Prior Year Findings and Questioned Costs	80
Corrective Action Plan	81

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Minot Public School District No. 1
Minot, North Dakota

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Minot Public School District No. 1 (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Minot Public School District No. 1 as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Minot Public School District No. 1 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described in Note 19 to the financial statements, prior period adjustments have been made to correct the beginning fund balance and net position of the District.

As described in Note 2 to the financial statement, the District changed its method of accounting for leases in 2022 due to the adoption of GASB Statement No. 87, *Leases*, see note 10 to the financial statements. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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 Minot Public School District No. 1's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Minot Public School District No. 1'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 Minot Public School District No. 1's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards and notes to the schedule of expenditures of federal awards are presented for purposes of additional analysis, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and notes to the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and notes to the schedule of expenditures of federal awards 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 *Government Auditing Standards*, we have also issued our report dated October 25, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



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

October 25, 2022

MINOT PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

The discussion and analysis of Minot Public School District No. 1's financial performance provides an overall review of the District's financial activities for the year ended June 30, 2022. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and related notes to enhance their understanding of the district's financial performance.

Financial Highlights

Key financial highlights MPSD#1 including component unit MAFB PSD#160 for 2022 are as follows:

- * Net Position of the District increased by \$721,421.
- * Governmental net position totaled \$42,424,313.
- * The District's general fund had \$118,159,760 in total revenues and \$118,341,660 in expenditures.

Using the Annual Report

This annual report consists of a series of financial statements and related footnotes. These statements are organized so the reader can understand Minot Public School District No. 1 as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental are the activities where most of the District's Programs and services are reported. They include, but are not limited to the following: instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws, facility conditions, required educational programs, changing enrollment and other factors.

MINOT PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
JUNE 30, 2022

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District do financially during the year ended June 30, 2022?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported. They include, but are not limited to the following: instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws in North Dakota, facility condition, required educational programs, changing enrollment, other factors and COVID-19 pandemic related factors.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, Capital Projects Fund, and the Minot Air Force Base District #160 General Fund.

Governmental Funds

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

MINOT PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
JUNE 30, 2022

Financial Analysis of the District as a Whole

Recall that the Statement of Net Position provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net position (including component unit MAFB PSD#160) as of June 30, 2022. As the table illustrates, net position increase by 1.73% during the past fiscal year. As indicated in the financial highlights, the District's net position increased by \$721,421 for the year ended June 30, 2022. Net position may serve over time as a useful indicator of the District's financial position.

The District's June 30, 2022 net position of \$42,434,313 is segregated into three separate categories: 1) net position invested in Capital Assets (net of related debt), 2) restricted net position (resources that are subject to external restrictions on how they must be spent) and 3) unrestricted net position. Table 1 shows a comparison of assets, liabilities and net position between fiscal year ended June 30, 2022 and fiscal year ended June 30, 2021.

Table 1 Net Position Including Component Unit

	<u>2022</u>	<u>2021</u>	<u>% Change 2022-2021</u>
Assets			
Current assets	\$ 50,758,141	\$ 48,930,702	3.7%
Noncurrent assets - restricted	104,384,372	-	0.0%
Capital assets (net of depreciation)	171,098,781	170,535,441	0.3%
Total assets	<u>326,241,294</u>	<u>219,466,143</u>	48.7%
Deferred Outflows of Resources	<u>32,822,278</u>	<u>49,664,960</u>	-33.9%
Liabilities			
Current liabilities	31,552,306	16,348,977	93.0%
Long-term liabilities	224,933,125	195,819,574	14.9%
Total liabilities	<u>256,485,431</u>	<u>212,168,551</u>	20.9%
Deferred Inflows of Resources	<u>60,153,828</u>	<u>15,259,660</u>	294.2%
Net Position			
Net investment in capital assets	122,770,211	123,147,041	-0.3%
Restricted	110,748,057	4,967,021	2129.7%
Unrestricted	(191,093,955)	(86,411,170)	121.1%
	<u>\$ 42,424,313</u>	<u>\$ 41,702,892</u>	1.73%

MINOT PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
JUNE 30, 2022

Table 2 shows the changes in net position (including component unit) for fiscal year ended June 30, 2022 in comparison to the year ended June 30, 2021.

Table 2 Changes in Net Position

Revenues	<u>2022</u>	<u>2021</u>	<u>Variance</u> <u>2022-2021</u>
Program Revenues:			
Charges for services	\$ 12,731,291	\$ 11,391,390	\$ 1,339,901
Operating grants and contributions	27,907,855	43,884,873	(15,977,018)
Capital grants and contributions	18,914	36,009	(17,095)
General Revenues:			
Taxes	23,094,397	23,648,832	(554,435)
State aid	70,146,666	69,530,910	615,756
Impact aid	6,815,119	7,441,111	(625,992)
Other federal aid	400,040	403,031	(2,991)
Other	479,601	675,705	(196,104)
Total revenues	<u>141,593,883</u>	<u>157,011,861</u>	<u>(15,417,978)</u>
Expenses			
Instruction:			
Regular	45,728,634	51,422,496	(5,693,862)
Special education	18,843,827	20,686,251	(1,842,424)
Vocational education	3,158,277	3,182,333	(24,056)
Federal	12,126,991	12,312,769	(185,778)
Tuition	1,056,942	1,198,472	(141,530)
Support services:			
Pupil services	2,836,354	3,573,481	(737,127)
Instructional staff services	3,211,114	3,313,121	(102,007)
General administration services	3,606,709	4,423,101	(816,392)
School administration services	6,840,910	7,986,045	(1,145,135)
Business services	667,418	818,746	(151,328)
Operations and maintenance	5,803,777	10,350,497	(4,546,720)
Pupil transportation	2,465,872	2,632,302	(166,430)
Head start	4,418,422	4,376,825	41,597
Adult learning center	493,814	496,197	(2,383)
Interest expense	1,450,048	1,565,267	(115,219)
Non education services:			
Enterprise services	353,055	438,021	(84,966)
Food services	5,436,125	5,683,914	(247,789)
Community services	2,247,676	2,380,087	(132,411)
Extracurricular activities	4,471,837	2,681,177	1,790,660
Services provided another LEA	94,273	109,705	(15,432)
Other facilities costs	7,926,151	1,864,796	6,061,355
Total expenses	<u>133,238,226</u>	<u>141,495,603</u>	<u>(8,257,377)</u>
Component Unit Expenses	<u>8,168,740</u>	<u>8,784,701</u>	<u>(615,961)</u>
Increase (Decrease) in Net Position	<u>186,917</u>	<u>6,731,557</u>	<u>(6,544,640)</u>
Net position - beginning of year	41,702,892	33,661,781	8,041,111
Prior period adjustment - see note 19	<u>534,504</u>	<u>1,309,554</u>	<u>(775,050)</u>
Net position - beginning of year, restated	<u>42,237,396</u>	<u>34,971,335</u>	<u>7,266,061</u>
Net position - ending	<u>\$ 42,424,313</u>	<u>\$ 41,702,892</u>	<u>\$ 721,421</u>

MINOT PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
JUNE 30, 2022

As indicated in table 2, revenue for year ended June 30, 2022 was \$141,593,883 compared to \$157,011,861 for year ended June 30, 2021. The difference, (\$15,417,978) constituted a decrease of approximately 9.82%.

Property taxes constituted 16.31%, state aid 49.54%, federal aid 5.10%, program revenue 28.71% and other sources 0.34% of the total revenues of governmental activities of the District for fiscal year 2022.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services including the component unit. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues.

Table 3

	Total Cost for Year Ended <u>6/30/2022</u>	Net Cost for Year Ended <u>6/30/2022</u>
Instruction	\$ 79,255,528	\$ 58,554,655
Tuition	1,056,942	1,056,942
Support services	31,794,438	23,920,789
Non education services	12,602,966	1,140,543
Other facilities costs	7,926,151	7,926,151
Component Unit	8,168,740	8,149,826
Total expenses	<u>\$ 140,804,765</u>	<u>\$ 100,748,906</u>

Instruction expenses include activities dealing directly with the teaching of pupils and the interaction between teacher and pupil including regular education, special education, career and technical education and federal programs. Instruction comprised 59.75% of district expenses in 2022.

Tuition expenses are the costs to reimburse other educational agencies for instructional services to students residing in the Minot Public School District's legal boundaries.

Support Services includes pupil's services, instructional staff services, general administration services, school administration services, business services, operation and maintenance of plant, pupil transportation services, Head Start, Adult Learning Center and interest expense.

Non-Education Services include Enterprise Services, Food Services, Community Services, Extracurricular activities and Services provided another LEA.

Other facilities costs include costs associated with construction services provided by contractors hired by the district.

MINOT PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
JUNE 30, 2022

Financial Analysis of the District's Governmental Funds

The focus of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unassigned fund balance generally may be used as a measure of the District's net resources available for spending at the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting.

The District's governmental funds had total revenues of \$134,996,932 and expenditures of \$145,954,888 for the year ended June 30, 2022. As of June 30, 2022, the unassigned fund balance of the District's general fund was \$25,949,135 and total unassigned fund balance for all the District's governmental funds was \$130,259,587. There was an increase of \$88,666,801 in the unassigned fund balance for all the District's governmental funds without the prior period adjustment.

For the 2021-2022 school year there was a projected deficit of \$4,970,099 (expenditures exceed revenue) with anticipated Revenue of \$118,812,000 and anticipated Expenditures of \$124,335,099. In actuality, the General Fund experienced a deficit totaling \$344,668 for year ended June 30, 2022.

Capital & Lease Assets

As of June 30, 2022, the District had \$170,718,775 invested in capital & lease assets. See table 4 and Note 7 to the financial statements for 2021 to 2022 comparisons.

Table 4

Capital Assets (Net of Depreciation) at June 30th

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
Land	\$ 8,240,466	\$ 8,240,466	\$ -
Construction in progress	4,832,048	-	4,832,048
Land improvements	16,256,951	17,575,635	(1,318,684)
Buildings and improvements	138,429,222	141,952,869	(3,523,647)
Furniture and equipment	2,960,088	2,766,471	193,617
Totals	<u>\$ 170,718,775</u>	<u>\$ 170,535,441</u>	<u>\$ 183,334</u>

MINOT PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
JUNE 30, 2022

Debt Administration

As of June 30, 2022, the District had \$143,266,446 in outstanding long-term debt compared to \$61,060,278 as of June 30, 2021. See Note 9 to the financial statements.

Table 5

Outstanding Debt at June 30, 2022

2011 Lease revenue refunding bonds	\$	285,000
2014B General obligation bonds		12,796,446
2014 General obligation bonds		9,945,000
2015 General obligation bonds		4,000,000
2016A General obligation bonds		2,815,000
2016B Lease revenue refunding bonds		1,735,000
2021B General obligation bonds		5,420,000
2021 General obligation bonds		15,355,000
2022 General obligation bonds		90,915,000
Total		\$ 143,266,446

For the Future

The Minot Public School District # 1 has shown even student enrollment in recent years. The following table reflects the fall enrollment for the 2021-2022 and the preceding four years.

2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
8,799	8,983	9,194	8,974	8,972

Technology, energy costs (electricity and fuel), special education and health insurance will likely continue to consume large portions of our local budget. The District has to experienced positive growth in total taxable valuation. Substantial increases should not be expected or counted on.

The district's reserves remain strong, but that could be strained should the need to deficit spend continue.

On December 7, 2021, the District successfully passed a \$84.8 million-dollar bond referendum by 84% to fund a new high school and a also passed a \$24.2 million-dollar bond referendum by 78% to fund a competition swimming pool, new turf and athletic complex at the new high school. The District also successfully passed by 77% raising the debt limit of assessed property valuation from 5% to 10%. This will allow the District to secure funding for the projects, which includes: \$10 million from the State of North Dakota School Construction Loan Fund at 2%, \$10 million of ESSER III funding, \$10 million of State Career & Technical Grant and \$90.5 million through a bond issuance. The rest of the funding has come in the form of a bond premium.

The project voted on has allowed the District to remodel and repurpose the former Cognizant Building and site to a new comprehensive grade 9-12 Minot Public School high school with a pool, turf field and athletic complex and remodel and repurpose of Magic City Campus from its current grade 11-12 configuration to a comprehensive grade 9-12 high school building. It will also allow

MINOT PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
JUNE 30, 2022

the remodel and repurpose of the Central Campus school from its current grade 9-10 configuration to a comprehensive grade 6-8 middle school.

As of June 30, 2022, work was in progress at the new north high school site, the new Minot Area Workforce Academy, the Magic City Campus career and technical instructional areas and also its new gymnasium. The District expects a completion date of August of 2024 for all approved projects.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. You may request a copy of this report and/or a copy of the Minot Air Force Base District No. 160 report by contacting Laura Dokken, Business Manager, Minot Public School District, 215 2nd St SE, Minot ND 58701, or email at laura.dokken@minot.k12.nd.us.

MINOT PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities	MPSD AFB #160 Component Unit
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 38,462,774	\$ 4,643,430
Taxes receivable	1,758,347	-
Accounts receivable	26,675	-
Due from other governmental agencies (net of allowance)	5,075,305	400,040
Inventories	376,224	-
Other assets	15,346	-
Total current assets	45,714,671	5,043,470
Non-current assets:		
Restricted cash and cash equivalents	104,384,372	-
Capital assets (depreciable)	237,056,890	-
Land	8,240,466	-
Construction in progress	4,832,048	-
Less: accumulated depreciation	(79,410,629)	-
Total capital assets, net of depreciation	170,718,775	-
Lease assets	504,057	-
Less: amortization	(124,051)	-
Total lease assets, net of amortization	380,006	-
Total non-current assets	275,483,153	-
Total assets	321,197,824	5,043,470
DEFERRED OUTFLOWS OF RESOURCES		
Cost sharing defined benefit plan - pension	32,426,095	-
Cost sharing defined benefit plan - OPEB	396,183	-
Total deferred outflows of resources	32,822,278	-
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	15,202,097	-
Accrued interest	914,269	-
Compensated absences	713,013	-
Current portion of lease payable	122,710	-
Current portion of bonds payable	13,785,068	-
Current portion of bond premium	637,194	-
Unearned revenue	177,955	-
Total current liabilities	31,552,306	-
Non-current liabilities		
Net pension liability	85,520,172	-
Net OPEB liability	855,773	-
Lease payable	266,500	-
Non-current portion of bonds payable and bond premium	138,290,680	-
Total non-current liabilities	224,933,125	-
Total liabilities	256,485,431	-
DEFERRED INFLOWS OF RESOURCES		
Cost sharing defined benefit plan - pension	59,779,148	-
Cost sharing defined benefit plan - OPEB	374,680	-
Total deferred inflows of resources	60,153,828	-
NET POSITION		
Net investment in capital and leased assets	122,770,211	-
Restricted for:		
Capital projects	95,543,611	-
Food service	2,068,972	-
Debt service	12,686,153	-
Student activities	449,321	-
Unrestricted	(196,137,425)	5,043,470
Total net position	\$ 37,380,843	\$ 5,043,470

See Notes to the Financial Statements

MINOT PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position	MPSD AFB #160 Component Unit
		Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions		
Governmental Activities						
Instruction:						
Regular	\$ 45,728,634	\$ 5,192,519	\$ 65,606	\$ -	\$ (40,470,509)	
Special education	18,843,827	374,261	1,363,333	-	(17,106,233)	
Vocational education	3,158,277	-	824,566	-	(2,333,711)	
Federal	12,126,991	-	13,482,789	-	1,355,798	
Total instruction	<u>79,857,729</u>	<u>5,566,780</u>	<u>15,736,294</u>	<u>-</u>	<u>(58,554,655)</u>	
Tuition:	1,056,942	-	-	-	(1,056,942)	
Support services:						
Pupil services	2,836,354	-	-	-	(2,836,354)	
Instructional staff services	3,211,114	-	-	-	(3,211,114)	
General administration services	3,606,709	-	-	-	(3,606,709)	
School administration services	6,840,910	-	-	-	(6,840,910)	
Business services	667,418	-	-	-	(667,418)	
Operations and maintenance	5,803,777	2,500,000	-	-	(3,303,777)	
Pupil transportation services	2,465,872	-	400,061	-	(2,065,811)	
Head start	4,418,422	-	4,440,974	-	22,552	
Adult learning center	493,814	3,113	529,501	-	38,800	
Interest expense	1,450,048	-	-	-	(1,450,048)	
Total support services	<u>31,794,438</u>	<u>2,503,113</u>	<u>5,370,536</u>	<u>-</u>	<u>(23,920,789)</u>	
Non-education services:						
Enterprise services	353,055	-	-	-	(353,055)	
Food services	5,436,125	636,057	6,258,057	-	1,457,989	
Community services	2,247,676	1,725,457	432,968	-	(89,251)	
Extracurricular	4,471,837	2,299,884	110,000	-	(2,061,953)	
Services provided another LEA	94,273	-	-	-	(94,273)	
Total non-education services	<u>12,602,966</u>	<u>4,661,398</u>	<u>6,801,025</u>	<u>-</u>	<u>(1,140,543)</u>	
Other facilities costs:	7,926,151	-	-	-	(7,926,151)	
Total governmental activities	<u>\$ 133,238,226</u>	<u>\$ 12,731,291</u>	<u>\$ 27,907,855</u>	<u>\$ -</u>	<u>(92,599,080)</u>	
Component unit	<u>\$ 8,168,740</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,914</u>		<u>\$ (8,149,826)</u>
General revenues:						
Taxes:						
Property taxes, levied for general purposes				19,044,867	-	
Property taxes, levied for special assessments				207,468	-	
Property taxes, levied for debt service				3,842,062	-	
State aid not restricted for specific purpose:						
Per pupil aid and other state aid				70,146,666	-	
Federal aid not restricted for a specific purpose:						
Impact aid				-	6,815,119	
Other federal aid				-	400,040	
Interest income and other revenues				464,329	15,272	
Total general revenues				<u>93,705,392</u>	<u>7,230,431</u>	
Change in net position				1,106,312	(919,395)	
Total net position - beginning of year, as originally stated				35,740,027	5,962,865	
Prior period adjustments - see note 19				534,504	-	
Net position - beginning of year, restated				<u>36,274,531</u>	<u>5,962,865</u>	
Net position - end of year				<u>\$ 37,380,843</u>	<u>\$ 5,043,470</u>	

See Notes to the Financial Statements

MINOT PUBLIC SCHOOL DISTRICT NO. 1
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 26,746,503	\$ -	\$ 6,906,206	\$ 33,652,709
Restricted cash and cash equivalents	-	94,352,081	10,032,290	104,384,371
Taxes receivable	1,392,306	16,062	349,979	1,758,347
Accounts receivable	26,675	-	-	26,675
Due from other funds	6,764,354	-	10,995	6,775,349
Due from other governmental agencies	4,542,799	-	532,506	5,075,305
Inventories	-	-	376,224	376,224
Other assets	15,346	-	-	15,346
Total assets	<u>\$ 39,487,983</u>	<u>\$ 94,368,143</u>	<u>\$ 18,208,200</u>	<u>\$ 152,064,326</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 12,636,644	\$ 784,270	\$ 302,723	\$ 13,723,637
Due to other funds	10,995	6,487,648	276,706	6,775,349
Unearned revenue	-	-	177,955	177,955
Total liabilities	<u>12,647,639</u>	<u>7,271,918</u>	<u>757,384</u>	<u>20,676,941</u>
Deferred inflows of resources:				
Unavailable tax revenue	<u>891,209</u>	<u>10,377</u>	<u>226,212</u>	<u>1,127,798</u>
Fund balances:				
Nonspendable				
Inventory	-	-	376,224	376,224
Restricted				
Debt service	-	-	13,600,422	13,600,422
Food service	-	-	2,068,972	2,068,972
Student activities	449,321	-	-	449,321
Capital projects	-	94,352,081	1,191,530	95,543,611
Unassigned	<u>25,499,814</u>	<u>(7,266,233)</u>	<u>(12,544)</u>	<u>18,221,037</u>
Total fund balances	<u>25,949,135</u>	<u>87,085,848</u>	<u>17,224,604</u>	<u>130,259,587</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 39,487,983</u>	<u>\$ 94,368,143</u>	<u>\$ 18,208,200</u>	<u>\$ 152,064,326</u>

See Notes to the Financial Statements

MINOT PUBLIC SCHOOL DISTRICT NO. 1
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
DISTRICT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2022

Total fund balance, governmental funds \$ 130,259,587

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Capital assets, net of depreciation	170,718,775
Lease assets, net of amortization	380,006

Property taxes receivable will be collected during the year, but are not available soon enough to pay for the current period's expenditures, and, therefore are unavailable in the governmental funds.

1,127,798

The assets and liabilities of internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.

3,331,603

Net deferred outflows/(inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities that are not financial resources, and therefore are not reported as deferred outflows/(inflows) of resources in the governmental funds.

Cost sharing defined benefit plan deferred inflow - pension	(59,779,148)
Cost sharing defined benefit plan deferred outflow- pension	32,426,095
Cost sharing defined benefit plan deferred inflow - OPEB	(374,680)
Cost sharing defined benefit plan deferred outflow- OPEB	396,183

Certain short-term liabilities are not recognized as an expenditure in the governmental funds until they are due. All liabilities both current and long-term are reported in the Statement of Net Position.

(713,013)

Certain long-term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Net pension liability	(85,520,172)
Net OPEB liability	(855,773)
Lease payable	(389,210)
Bond premium	(9,446,496)
Bonds payable and accrued interest	(144,180,712)

Net position of governmental activities in the Statement of Net Position

\$ 37,380,843

See Notes to the Financial Statements

MINOT PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local sources				
Property taxes	\$ 18,928,701	\$ 213,700	\$ 4,616,744	\$ 23,759,145
Other local sources	13,055,328	110,000	668,196	13,833,524
County sources	1,139,389	-	-	1,139,389
State sources	70,294,184	-	424,795	70,718,979
Federal sources	14,742,158	-	10,803,737	25,545,895
Total revenues	<u>118,159,760</u>	<u>323,700</u>	<u>16,513,472</u>	<u>134,996,932</u>
EXPENDITURES				
Instruction:				
Regular	45,062,539	-	-	45,062,539
Special education	17,581,316	-	-	17,581,316
Vocational education	3,146,655	-	-	3,146,655
Federal	12,020,555	-	-	12,020,555
Total instruction	<u>77,811,065</u>	<u>-</u>	<u>-</u>	<u>77,811,065</u>
Tuition:	<u>1,056,942</u>	<u>-</u>	<u>-</u>	<u>1,056,942</u>
Support services:				
Pupil services	3,075,889	-	-	3,075,889
Instructional staff services	3,035,486	-	-	3,035,486
General administration services	4,302,635	-	-	4,302,635
School administration services	6,949,709	-	-	6,949,709
Business services	637,873	-	-	637,873
Operations and maintenance	10,527,217	2,792,473	-	13,319,690
Pupil transportation services	2,201,025	-	-	2,201,025
Head start	-	-	4,322,970	4,322,970
Adult learning center	-	-	535,586	535,586
Other	-	-	5,150	5,150
Total support services	<u>30,729,834</u>	<u>2,792,473</u>	<u>4,863,706</u>	<u>38,386,013</u>

See Notes to the Financial Statements

MINOT PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – GOVERNMENTAL FUNDS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2022

Debt service:				
Principal	\$ 117,107	\$ -	\$ 8,708,832	\$ 8,825,939
Interest	-	-	1,319,663	1,319,663
Total debt service	<u>117,107</u>	<u>-</u>	<u>10,028,495</u>	<u>10,145,602</u>
Non-education services:				
Enterprise services	362,882	-	-	362,882
Food service	-	-	5,268,665	5,268,665
Community services	2,223,159	-	-	2,223,159
Extra curricular	4,521,639	-	-	4,521,639
Services provided another LEA	94,273	-	-	94,273
Total non education services	<u>7,201,953</u>	<u>-</u>	<u>5,268,665</u>	<u>12,470,618</u>
Capital outlay	<u>1,424,759</u>	<u>4,499,796</u>	<u>160,093</u>	<u>6,084,648</u>
Total expenditures	<u>118,341,660</u>	<u>7,292,269</u>	<u>20,320,959</u>	<u>145,954,888</u>
Excess of revenues over (under) expenditures	<u>(181,900)</u>	<u>(6,968,569)</u>	<u>(3,807,487)</u>	<u>(10,957,956)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	107,379	90,915,000	-	91,022,379
Proceeds from bond premiums	-	8,570,568	-	8,570,568
Proceeds from sale of capital assets	31,810	-	-	31,810
Transfers in	543,372	-	664,390	1,207,762
Transfers out	<u>(664,390)</u>	<u>-</u>	<u>(543,372)</u>	<u>(1,207,762)</u>
Total other financing sources and uses	<u>18,171</u>	<u>99,485,568</u>	<u>121,018</u>	<u>99,624,757</u>
Net change in fund balances	<u>(163,729)</u>	<u>92,516,999</u>	<u>(3,686,469)</u>	<u>88,666,801</u>
Fund balances - beginning, as originally stated	26,112,864	(5,431,151)	5,365,599	26,047,312
Prior period adjustments - see note 19	<u>-</u>	<u>-</u>	<u>15,545,474</u>	<u>15,545,474</u>
Fund balance - beginning	<u>26,112,864</u>	<u>(5,431,151)</u>	<u>20,911,073</u>	<u>41,592,786</u>
Fund balances - ending	<u>\$ 25,949,135</u>	<u>\$ 87,085,848</u>	<u>\$ 17,224,604</u>	<u>\$ 130,259,587</u>

See Notes to the Financial Statements

MINOT PUBLIC SCHOOL DISTRICT NO. 1
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE DISTRICT-WIDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Net change in fund balances - total governmental funds: \$ 88,666,801

Amounts reported for governmental activities in the Statement of Activities are different because:
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital and lease asset additions	\$ 6,084,648	
Current year depreciation	(5,774,481)	
Current year amortization	(126,311)	
Total	183,856	183,856

Governmental funds report the entire net sales price (proceeds) from the sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold. (19,454)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. This amount is the net change in property taxes receivable. (664,749)

Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position. 8,825,939

Issuance of long-term debt is reported as a revenue in governmental funds. However, the issuance increases long-term liabilities in the statement of net position. (91,022,379)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Net change in accrued interest		(636,121)
Net change in compensated absences and early retirement obligations		18,237
Net change in net pension liability		65,230,337
Net change in OPEB liability		502,223

Changes in cost sharing defined benefit plan relating to net pension liability		(44,572,780)
Changes in cost sharing defined benefit plan relating to net pension liability		(16,740,585)
Changes in cost sharing defined benefit plan relating to OPEB liability		(321,385)
Changes in cost sharing defined benefit plan relating to OPEB liability		(102,097)

Internal service funds are used by the District to account for its self funded health insurance plan. The net income or loss of the internal service fund is reported with governmental activities. (308,157)

Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This is the amount by which current year amortization exceeds premiums and discounts. (7,933,374)

Change in net position of governmental activities		\$ 1,106,312
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See Notes to the Financial Statements

MINOT PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF NET POSITION – PROPRIETARY FUND
JUNE 30, 2022

	<u>Internal Service Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 4,810,063
Total assets	<u>4,810,063</u>
LIABILITIES	
Current liabilities:	
Incurred but not reported claims	<u>1,478,460</u>
Total liabilities	<u>1,478,460</u>
NET POSITION	
Unrestricted	<u><u>\$ 3,331,603</u></u>

See Notes to the Financial Statements

MINOT PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Internal Service Fund
REVENUES	
Premium revenue	\$ 13,686,661
HSA contributions	2,360,005
	16,046,666
 OPERATING EXPENSES	
Stop loss premiums and administrative fees	4,581,686
Insurance claims	12,461,911
Total operating expenses	17,043,597
Operating income (loss)	(996,931)
 NON-OPERATING REVENUES	
Interest and investment revenue	688,774
Change in net position	(308,157)
Total net position - beginning of year	3,465,730
Prior period adjustment - see note 19	174,030
Total net position - beginning of year, restated	3,639,760
Total net position - end of year	\$ 3,331,603

See Notes to the Financial Statements

MINOT PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Internal Service Fund
Cash flows from operating activities	
Cash received from charges to other funds	\$ 16,046,666
Cash paid to insurance claims and stop loss premiums	<u>(17,069,704)</u>
Net cash provided (used) by operating activities	<u>(1,023,038)</u>
 Cash flows from investing activities	
Interest on investments	<u>688,774</u>
Net cash provided by investing activities	<u>688,774</u>
Net change in cash and cash equivalents	(334,264)
Cash and cash equivalents - beginning of year	<u>5,144,327</u>
Cash and cash equivalents - end of year	<u>\$ 4,810,063</u>
 Reconciliation of operating loss to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (996,931)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Change in assets and liabilities:	
Accounts payable and accrued liabilities	<u>(26,107)</u>
Net cash provided (used) by operating activities	<u>\$ (1,023,038)</u>

See Notes to the Financial Statements

MINOT PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2022

	Custodial Fund - Starbase
ASSETS	
Accounts receivable	\$ 91,400
LIABILITIES	
Accounts payable	25,563
Due to starbase	91,400
Total liabilities	116,963
NET POSITION	
Unrestricted	\$ (25,563)

See Notes to the Financial Statements

MINOT PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Custodial Fund - Starbase
ADDITIONS	
Federal sources	\$ 371,335
DEDUCTIONS	
Instruction	
Regular	396,898
Change in net position	(25,563)
Net position - beginning of year	-
Net position - end of year	\$ (25,563)

See Notes to the Financial Statements

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Principal Activity

The Minot Public School District operates the public schools in the City of Minot, North Dakota. There are thirteen elementary schools, three middle schools and two high schools. Two elementary schools and one middle school are located on the Minot Air Force Base, a U.S. Air Force installation.

Reporting Entity

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of an organization's governing body and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources. Component units may also include organizations that are fiscally dependent on the District. Fiscal dependence can include the District's approval of the budget, issuance of debt, and/or levying of taxes for the organization.

Based on the above criteria, the Minot Air Force Base District No. 160 is included in the District's reporting entity as a discretely presented component unit, and the Minot School District Building Authority is included as a blended component unit.

The Minot Air Force Base School District No. 160 contracts with the Minot Public School District to provide educational services for the pupils that reside in the Minot Air Force Base District. A copy of the Minot Air Force Base District No. 160 financial statements may be obtained through a request of the District's management.

The Minot School District Building Authority leases various facilities and capital improvements to the Minot Public School District. The Building Authority does not prepare external financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Minot Public School District No. 1's significant accounting policies are described below.

Basis of Presentation

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

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2022

Government-wide Financial Statements

The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These statements display information about the District as a whole.

The Statement of Net Position presents the financial condition of the governmental activities of the District at year-end.

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

The government-wide financial statements do not include fiduciary funds or component units that are fiduciary in nature.

Fund Financial Statements

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

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

Governmental Funds

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

General fund – This fund is the general operating fund of the District. It accounts for all financial resources except those required to be accounted for in another fund.

Capital projects fund – This fund accounts for the acquisition and construction of the District's major capital facilities.

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2022

Proprietary Funds

The reporting focus of proprietary funds is on the determination of net income, financial position, and changes in financial position (economic resources). These funds are used to account for activities which are similar to those found in the private sector. The funds are maintained on the accrual basis of accounting.

The District has one fund that qualifies for reporting under this category which is also an internal service fund. The reporting focus of internal service funds is on services provided by one fund of the District to another fund on a cost reimbursement basis. The District's internal service fund is as follows:

Self-funded Health Insurance Fund – The fund accounts for the financial transactions related to the District's self-funded health insurance plan.

Fiduciary Funds

The reporting focus of fiduciary funds is on net position and changes in net position. The District's only fiduciary fund is a custodial fund. The custodial fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The District's custodial fund consists of the following:

Starbase Fund – The fund accounts for the financial transactions related to the Starbase programs.

Measurement Focus and Basis of Accounting

Measurement Focus

Government-wide Financial Statements:

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

Fund Financial Statements:

The governmental funds are accounted for using a flow of current financial resources measurement focus. Under this measurement focus, only current assets, current liabilities and current deferred outflows/inflows of resources are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance reports on the sources and uses of current financial resources.

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

Fiduciary funds also use the economic resources measurement focus.

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2022

Basis of Accounting

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

Government-wide financial statements are prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The District's internal service fund also uses the accrual basis of accounting.

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

Revenues-Exchange and Non-Exchange Transactions

Exchange transactions are transactions in which each party gives and receives essentially equal value. Under the accrual basis of accounting, revenue for exchange transactions is recorded when the exchange takes place. Under the modified accrual basis of accounting, revenue for exchange transactions is recorded when the resources are measurable and available.

Non-exchange transactions include transactions in which the District receives value without directly providing value in return. Non-exchange transactions include property taxes, grants, entitlements, and donations.

Under the accrual basis of accounting, property taxes are recorded as revenue in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recorded in the fiscal year in which all eligibility requirements have been satisfied. Under the modified accrual basis of accounting, revenue from non-exchange transactions must also be available before it is recorded in the financial records of the District.

Major revenue sources susceptible to accrual include: property taxes, intergovernmental revenues and investment income.

Cash and Cash Equivalents

The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Due from Other Governmental Agencies

Intergovernmental receivables consist of reimbursements due for expenses in the operation of various programs, credits from the State and federal dollars in regards to flood reimbursements. The amount consists of a mix of state and federal dollars. No allowance is recorded as management considers all accounts are collectible.

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2022

Inventories

Inventories in governmental funds consist of expendable supplies held for consumption. They are stated at cost determined on a first-in, first-out basis. They are recorded as expenditures at the time individual inventory items are used.

Other Assets

The District's other assets as of June 30, 2022 consist of construction houses and associated lots built by students which are held for sale.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities' column of the government-wide statement of net position but are not reported as assets in the fund financial statements. All capital assets are recorded at cost (or estimated historical cost). The assets are updated for additions and retirements during the District's fiscal year.

The District has established a capitalization threshold of \$5,000. Donated fixed assets are recorded at their acquisition values at the date received. The District does not have any infrastructure assets. Improvements that significantly extend the useful life of the asset are also capitalized.

The District's land and construction in progress costs are capitalized but are not depreciated. Interest associated with construction in progress is capitalized as part of the asset's original cost. All the remaining capital assets are depreciated over their estimated useful lives on a straight-line basis. The District has established the following useful lives:

Land Improvements	20 years
Buildings and Improvements	50 years
Equipment and Furniture	5 to 20 years

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. Although employees accrue sick leave on an annual basis, this accrual vests only if the employee is eligible for and elects to take advantage of the District's early retirement policy. The liability includes the employees who are currently eligible to receive termination benefits. The amount is based on accumulated sick leave and employees wage rates at fiscal year-end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave upon notification of the employee's election for early retirement. These liabilities qualify for recognition on both the fund and government wide statements, and are shown under accounts payable and accrued liabilities.

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2022

Unearned Revenue

Unearned revenue amounts represent funds received by the food service fund for which the obligation to provide meals to children has not yet been met.

Long-Term Debt

In the District-wide financial statements, long-term debt and other long-term debt obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Pension Liability

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

Net OPEB Liability

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the North Dakota Public Employee Retirement System (NDPERS) and additions to/deduction 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items reported on the statement of net position as deferred pension outflows, one which represents the actuarial differences within the NDPERS and TFFR pension plans, and another that represents the actuarial differences within the NDPERS OPEB liability. See notes 10 and 11 for further details.

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2022

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items which qualify for reporting in this category. One of the items, unavailable revenue – delinquent taxes, is reported only in the governmental funds balance sheet. This amount, which is from delinquent property taxes, is deferred and recognized as an inflow of resources in the period that the amount becomes available. The other item is reported on the statement of net position as deferred pension inflows, which represents the actuarial differences within the NDPERS and TFFR pensions as well as amounts paid to the plan after the measurement date. The last item is reported on the statement of net position as deferred OPEB inflows, which represents the actuarial differences within the NDPERS OPEB liability. See notes 10 and 11 for further details.

Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's financial statements. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Balance Classifications

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable - consists of amounts that are not in spendable form, such as inventory.

Restricted - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions and administered by the North Dakota Department of Public Instruction.

Committed - consists of internally imposed constraints. These constraints are established by Resolution of the School Board.

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

Unassigned - is the residual classification for the general fund and also reflects negative residual amounts in other funds.

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

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2022

When committed, assigned or unassigned resources are available for use, it is the District's policy to use resources in the following order; 1) committed, 2) assigned and 3) unassigned.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund activities within the District's governmental activities and its business-type activities are eliminated in the Statement of Activities.

Revenue Recognition

Taxes receivable consists of current and delinquent uncollected taxes at June 30, 2022.

Property taxes attach as an enforceable lien on property January 1. A five percent reduction is allowed if paid by February 15. Penalty and interest are added March 15 if the first half of the taxes has not been paid. Additional penalties are added October 15, if not paid. Taxes are collected by the county and usually remitted monthly to the school district.

Property tax revenue in the governmental funds is recognized in compliance with National Council of Government Accounting (NCGA) Interpretation 3, "Revenue Recognition - Property Taxes". This interpretation states that property tax revenue is recorded when it becomes available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Property tax revenue is recorded as revenue in the year the tax is levied in the government - wide financial statements. Property taxes are limited by state laws. All school district tax levies are in compliance with state laws.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service fund is charges to other funds for health insurance premiums. Operating expenses for the internal service fund include the cost of claims and related administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expense.

Expenses and Expenditures

Governmental funds accounting measurement focus is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recorded in the fiscal year in which the related fund liability is incurred. Under the accrual basis of accounting, expenses are recorded when incurred.

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2022

Estimates

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

As discussed in Note 13, the District has established a self-funded health insurance plan. Because of the inherent uncertainties associated with estimating the accrued liability for claims, it is at least reasonably possible that the estimate used will change within the near term.

Leases

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

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

The District continues to record rent expense for short term leases on a straight-line basis over the lease term. Short term leases have a term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the District are reasonably certain to exercise. The depreciable life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

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

Implementation of New Accounting Principles

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

The adoption of GASB 87 resulted in the recognition of a right to use leased asset and lease liability of \$398,938 as of July 1, 2021. Results for periods prior to June 30, 2021 continue to be reported in accordance with the District's historical accounting treatment. See note 10 for expanded disclosures regarding the District's leases.

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2022

NOTE 3 DEPOSITS

Custodial Credit Risk:

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its deposits, investments, or collateral securities that are in possession of an outside party.

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

The District has a deposit policy which requires all cash accounts to be kept at local banks.

The District maintains cash on deposit at various financial institutions. The amounts on deposit were insured by the FDIC up to \$250,000 per applicable financial institution. At June 30, 2022, all of the District's deposits were covered by FDIC coverage or pledged collateral from local financial institutions.

NOTE 4 DUE FROM OTHER GOVERNMENTAL AGENCIES

The following table represents a detailed breakdown of the amounts due from other governmental agencies as shown on the Statement of Net Position as of June 30, 2022:

Minot Public School District No. 1

General fund	
In-state LEAs	\$ 20,779
Department of Public Instruction	4,068,336
Other	453,684
Total general fund	4,542,799
Other governmental funds	
Department of Public Instruction	292,500
Headstart	238,590
Other	1,416
Total other governmental funds	532,506
Total due from other governmental agencies	\$ 5,075,305

Minot Air Force Base District No. 160 (Component Unit)

Department of Defense	\$ 400,040
Total due from other governmental agencies	\$ 400,040

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2022

NOTE 5 INTERFUND RECEIVABLES/PAYABLES

The District's interfund receivables and payables consisted of the following as of June 30, 2022:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 6,764,354	\$ 10,995 (2)
Capital Projects Fund	-	6,487,648 (1)
Other Governmental Funds	10,995	276,706 (1)
	<u>\$ 6,775,349</u>	<u>\$ 6,775,349</u>

- (1) The General Fund has recorded a due from the Head Start and Capital Projects funds for \$276,706 and \$6,487,648, respectively, to offset a negative cash balance. This is not expected to be repaid within the next year.
- (2) The General Fund has recorded a due to from the Head Start and Food Service funds for \$10,995 for payroll amounts to be repaid within the next year.

NOTE 6 FUND DEFICITS

The following funds were in a deficit position as of June 30, 2022:

Governmental Funds:	
Head Start and Adult Learning Center	\$ (12,544)

These deficits are anticipated to be remediated by future revenues and/or fund transfers.

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2022

NOTE 7 CAPITAL AND LEASE ASSETS

Capital and leased asset activity for the fiscal year ended June 30, 2022 was as follows:

	<u>7/1/2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>6/30/2022</u>
Capital assets not being depreciated:				
Land	\$ 8,240,466	\$ -	\$ -	\$ 8,240,466
Construction in Progress	-	4,832,048	-	4,832,048
Total capital assets not being depreciated	<u>8,240,466</u>	<u>4,832,048</u>	<u>-</u>	<u>13,072,514</u>
Capital assets being depreciated				
Land improvements	31,013,224	148,554	-	31,161,778
Building and improvements	192,024,959	196,850	(1,650)	192,220,159
Equipment and furniture	13,617,087	799,817	(741,951)	13,674,953
Total capital assets at historical cost	<u>236,655,270</u>	<u>1,145,221</u>	<u>(743,601)</u>	<u>237,056,890</u>
Less accumulated depreciation				
Land improvements	13,437,589	1,467,238	-	14,904,827
Building and improvements	50,072,090	3,719,246	(399)	53,790,937
Equipment and furniture	10,850,616	587,997	(723,748)	10,714,865
Total accumulated depreciation	<u>74,360,295</u>	<u>5,774,481</u>	<u>(724,147)</u>	<u>79,410,629</u>
Total capital assets being depreciated, net	<u>162,294,975</u>	<u>(4,629,260)</u>	<u>(19,454)</u>	<u>157,646,261</u>
	<u>\$ 170,535,441</u>	<u>\$ 202,788</u>	<u>\$ (19,454)</u>	<u>\$ 170,718,775</u>

	<u>7/1/2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>6/30/2022</u>
Lease assets				
Equipment	\$ 83,358	\$ -	\$ -	\$ 83,358
Copy machine	315,580	107,379	(2,260)	420,699
Total lease assets	<u>398,938</u>	<u>107,379</u>	<u>(2,260)</u>	<u>504,057</u>
Less: accumulated amortization				
Equipment	-	19,374	-	19,374
Copy machine	-	106,937	(2,260)	104,677
Total accumulated amortization	<u>-</u>	<u>126,311</u>	<u>(2,260)</u>	<u>124,051</u>
Total lease assets, net	<u>\$ 398,938</u>	<u>\$ (18,932)</u>	<u>\$ -</u>	<u>\$ 380,006</u>

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2022

In the governmental activities section of the Statement of Activities, depreciation was charged to expense in the following governmental functions:

Instruction:	
Regular	\$ 5,246,705
Special education	18,551
Support services:	
Instruction staff services	61,614
General administrative services	19,188
Head Start	2,702
Operations and maintenance	160,203
Pupil transportation services	197,064
Non-education services:	
Extracurricular	32,032
Food service	36,422
Total	\$ 5,774,481

NOTE 8 ACCOUNTS PAYABLE

The following table represents a detailed breakdown of the amounts in accounts payable and accrued liabilities as shown on the Statement of Net Position as of June 30, 2022:

Trade Payables	
General fund	\$ 300,183
Capital projects fund	784,270
Other funds	23,225
Total trade payables	1,107,678
Accrued Salaries & Benefits	
General fund	12,336,461
Other funds	279,498
Total accrued salaries & benefits	12,615,959
Internal Service Fund	
Incurred but not reported claims	1,478,460
Total accounts payable and accrued liabilities	\$ 15,202,097

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2022

NOTE 9 LONG TERM DEBT

Changes in Long-Term Liabilities

	Balance July 1, 2021 - Restated	Increases	Decreases	Balance June 30, 2022	Due Within One Year
Compensated absences *	\$ 731,250	\$ 555,149	\$ (573,386)	\$ 713,013	\$ 713,013
Lease payable	398,938	107,379	(117,107)	389,210	122,710
Bonds payable	61,060,278	90,915,000	(8,708,832)	143,266,446	13,785,068
Bond premium	1,513,122	8,570,568	(637,194)	9,446,496	637,194
Total	\$161,051,187	\$ 100,148,096	\$ (10,036,519)	\$ 153,815,165	\$ 15,257,985

* The general fund is primarily used to liquidate compensated absences.

Lease Revenue Refunding Bonds of 2011 – The bonds were issued to refinance the Lease Revenue Bonds of 2003. The bonds carry interest rates of 1.75% - 2.85% and are scheduled to mature in May 2023. Payments are to be made out of the Sinking and Interest fund. Outstanding obligation as of June 30, 2022 was \$285,000.

General Obligation School Building Bonds, Series 2011 – The District issued \$6,575,000 of general obligation bonds for the purpose of financing the purchase of land and constructing a new middle school, new additions to Lewis and Clark and Longfellow elementary schools, and to repair, renovate, and improve school buildings and property. The bonds were refunded as part of an advance crossover refunding in 2021, with the final payment made in 2022. Outstanding obligation as of June 30, 2022 was \$0.

General Obligation School Building Bonds, Series 2014B – The District issued \$20,000,000 of general obligation bonds for the purpose of financing school improvement construction projects. The bond carries an interest rate of 1.72% and is scheduled to mature in 2034. Payments are to be made out of the Sinking and Interest fund. Outstanding obligation as of June 30, 2022 was \$12,796,446.

General Obligation School Building Bonds, Series 2014 – The District issued \$9,945,000 of general obligation bonds for the purpose of financing construction of a new elementary school, new additions to Edison and Perkett elementary schools, and to repair, renovate and improve school buildings and property. The bonds were refunded as part of an advance crossover refunding in 2021, with the final payment to be made from the escrow account in 2023. Outstanding obligation as of June 30, 2022 was \$9,945,000.

General Obligation School Building Bonds, Series 2015 – The District issued \$9,205,000 of general obligation bonds for the purpose of financing the construction of a new elementary school, new additions to Edison and Perkett elementary schools, and to repair, renovate and improve school buildings and property. The bond carries an interest rate of 2.00%-4.00% and is scheduled to mature in 2025. Payments are to be made out of the Sinking and Interest fund. Outstanding obligation as of June 30, 2022 was \$4,000,000. Includes premium of \$158,648.

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2022

General Obligation School Building Bonds, Series 2016A – The District issued \$5,260,000 of general obligation bonds for the purpose of constructing, repairing, renovating and improving school property resulting from the flood of 2011. The bond carries an interest rate of 2.00%-3.00% and is scheduled to mature in 2026. Payments are to be made out of the Sinking and Interest fund. Outstanding obligation as of June 30, 2022 was \$2,815,000. Includes premium of \$217,593.

Lease Revenue Refunding Bonds, Series 2016B – The District issued \$3,310,000 in bonds to be used for the purpose of refunding the Lease Revenue Bonds of 2007. The bond carries an interest rate of 2.00% and is scheduled to mature in 2026. Payments are to be made out of the Sinking and Interest fund. Outstanding obligation as of June 30, 2022 was \$1,735,000. Includes premium of \$28,210.

General Obligation School Building Refunding Bonds, Series 2021B – The District issued \$5,535,000 in bonds to be used to refinance the Series 2012B General Obligation School Building Bonds with an original purpose of purchasing land, replacing Erik Ramstad middle school, and funding new additions at various elementary schools. The bonds carry interest rates of 2.00%-5.00% and are scheduled to mature in August 2032. Payments are to be made out of the Sinking and Interest fund. Outstanding obligation as of June 30, 2022 was \$5,420,000. Includes premium of \$622,032.

General Obligation School Building Refunding Bonds, Taxable Series 2021 – The District issued \$15,605,000 in bonds to be used to refinance the Series 2014 and Series 2011 Bonds. The bonds carry interest rates of 1.45%-2.00% and are scheduled to mature in August 2034. Payments are to be made out of the Sinking and Interest fund. Outstanding obligation as of June 30, 2022 was \$15,355,000. Includes premium of \$277,974.

General Obligation School Building Refunding Bonds, Series 2022A – The District issued \$90,915,000 in bonds to be used for the construction and remodeling of the new high school, along with the construction of a competition pool and athletic complex. The bonds carry interest rates of 4.00%-5.00% and are scheduled to mature in August 2042. Payments are to be made out of the Sinking and Interest fund. Outstanding obligation as of June 30, 2022 was \$90,915,000. Includes premium of \$8,142,040.

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2022

Future Payments

Following is a schedule of the future expected principal and interest requirements to retire the long-term debt obligations and lease payable as of June 30, 2022:

Fiscal Year Ending June 30,	Bonds Payable	
	Principal	Interest
2023	\$ 13,785,068	\$ 4,181,025
2024	5,981,753	4,729,001
2025	7,163,725	4,483,554
2026	7,430,989	4,206,565
2027	7,623,550	3,929,479
2028 - 2032	37,201,803	15,617,724
2033 - 2037	32,419,556	9,181,896
2038 - 2042	31,660,002	3,265,400
Premium	9,446,496	(9,446,496)
Total	<u>\$ 152,712,942</u>	<u>\$ 40,148,148</u>

Fiscal Year Ending June 30,	Principal	Interest	Total Payments
2023	\$ 122,710	\$ 16,658	\$ 139,368
2024	127,839	10,418	138,257
2025	124,483	3,934	128,417
2026	14,178	157	14,335
Total	<u>\$ 389,210</u>	<u>\$ 31,167</u>	<u>\$ 420,377</u>

NOTE 10 LEASES

The District leases various types of equipment and copy machines. The term of the leases range from 12 - 53 months, commencing on July 1, 2021 and terminating at various dates until June 30, 2026 with annual rent payments ranging from \$212-\$22,476.

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

Amortization expense by class of underlying asset	
Equipment	\$ 19,374
Copy Machine	106,937
Total amortization expense	<u>126,311</u>
Interest on lease liabilities	21,435
Total	<u>\$ 147,746</u>

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2022

NOTE 11 DEFINED BENEFIT PENSION PLANS - STATEWIDE

Substantially, all employees of the District are required by state law to belong to pension plans administered by Teachers' Fund for Retirement (TFFR) or the North Dakota Public Employee Retirement System (NDPERS), both of which are administered on a statewide basis.

Disclosures relating to these plans follow:

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.

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2022

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.

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2022

Member and Employer Contributions

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

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

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

At June 30, 2022, the District reported a liability of \$67,969,551 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2021, the Employer's proportion was 6.4508336 percent, which was a decrease of 0.12685019 percent from its proportionate measured as of June 30, 2020.

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2022

For the year ended June 30, 2022, the Employer recognized pension expense of \$1,537,879. At June 30, 2022, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 472,235	\$ (2,866,456)
Changes of assumptions	2,387,409	-
Net difference between projected and actual earnings on pension plan investments	-	(19,916,060)
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,580,840	(2,649,199)
Employer contributions subsequent to the measurement date	6,353,473	-
Total	\$ 10,793,957	\$ (25,431,715)

\$6,353,473 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

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

Year ended June 30:

2023	\$	(5,431,499)
2024		(4,824,211)
2025		(5,401,795)
2026		(6,424,347)
2027		504,028
Thereafter		586,593

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2022

Actuarial Assumptions

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

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

For active and inactive members, mortality rates were based on the PubT-2010 Employee table, projected with generational improvement using Scale MP-2019. For healthy retirees, mortality rates were based on 104% of the PubT-2010 Retiree table for retirees and to 5% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019. For disability retirees, mortality rates were based on the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019.

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equities	55%	6.90%
Global Fixed Income	26%	0.70%
Global Real Assets	18%	4.80%
Cash Equivalents	1%	-1.00%

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2022

Discount Rate

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

Pension Liability Sensitivity

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Employer's proportionate share of net pension liability	\$ 102,058,807	\$ 67,969,551	\$ 39,661,885

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report. Requests to obtain or review this report should be addressed to the North Dakota Retirement and Investment Office, 3442 E Century Ave., Bismarck, ND 58503.

North Dakota Public Employees Retirement 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.

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2022

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The annual 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.

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2022

Member and Employer Contributions

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

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

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

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

At June 30, 2022, the Employer reported a liability of \$17,550,621 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2021, the Employer's proportion was 1.683835 percent which was a decrease of 0.0031402 percent from its proportion measured as of June 30, 2020.

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2022

For the year ended June 30, 2022, the Employer recognized pension expense of \$9,893,811. At June 30, 2022, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 303,007	\$ (1,791,281)
Changes of assumptions	19,425,129	(25,326,308)
Net difference between projected and actual earnings on pension plan investments	-	(6,509,248)
Changes in proportion and differences between employer contributions and proportionate share of contributions	415,382	(720,596)
Employer contributions subsequent to the measurement date	<u>1,488,621</u>	<u>-</u>
Total	<u>\$ 21,632,139</u>	<u>\$ (34,347,433)</u>

\$1,488,621 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

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

Year ended June 30:

2023	\$ (1,971,030)
2024	(3,160,317)
2025	(2,657,686)
2026	(6,414,882)

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2022

Actuarial Assumptions

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

Inflation	2.25%
Salary increases	3.50% 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%	6.75%
Private Equity	7%	9.50%
Domestic Fixed Income	23%	0.73%
Global Real Assets	19%	4.77%

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).

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2022

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%
Employer's proportionate share of the net pension liability	\$ 27,911,387	\$ 17,550,621	\$ 8,923,656

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report. Requests to obtain or review this report should be addressed to the Executive Director – NDPERS, P.O. Box 1657, Bismarck, North Dakota 58502-1657.

NOTE 12 OTHER POST EMPLOYMENT BENEFITS

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.

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2022

OPEB Benefits

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

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

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

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

At June 30, 2022, the Employer reported a liability of \$855,773 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2021, the Employer's proportion was 1.538681 percent, which was a decrease of 0.075679 percent from its proportion measured as of June 30, 2020.

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2022

For the year ended June 30, 2022, the Employer recognized OPEB expense of \$106,165. At June 30, 2022, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 49,146	\$ (23,457)
Changes of assumptions	132,526	-
Net difference between projected and actual earnings on OPEB plan investments	-	(293,209)
Changes in proportion and differences between employer contributions and proportionate share of contributions	27,936	(58,015)
Employer contributions subsequent to the measurement date	186,575	-
Total	\$ 396,183	\$ (374,681)

\$186,575 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ended June 30:	
2023	\$ (28,486)
2024	(30,597)
2025	(42,468)
2026	(65,337)
2027	1,815

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2022

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%
International Equities	26%	6.25%
Core-Plus Fixed Income	35%	0.50%

Discount Rate

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

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2022

Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Employer's proportionate share of the net OPEB liability	\$ 1,269,221	\$ 855,773	\$ 505,934

NOTE 13 NONMONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its hot lunch program. The market value of commodities received for the year ended June 30, 2022 was \$351,880.

NOTE 14 RISK MANAGEMENT

The District is exposed to various risks related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the mid-1980's, the District was not able to obtain general liability insurance at a cost it considered to be economically justifiable. In 1986, the state and other political subdivisions joined together to form the North Dakota Insurance Reserve Fund (NDRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions.

All members paid an additional charge the first year they joined to help capitalize the NDRF. In each of the years from 1991 through 1994, the NDRF returned 20% of the capitalized amount with a premium reduction or cash payment to the District. The District pays an annual premium to NDRF for its general, business and auto insurance coverage. The coverage by NDRF is limited to losses of \$2,000,000 per occurrence. In the past three years, no settled claims have exceeded insurance coverage.

The District participates in a self-funding health insurance plan with United Health Care. Under the plan, the District is liable for individual claims up to \$150,000 stop loss limit per participant. As of June 30, 2022, the District has accrued an estimated claims liability of \$1,478,460. The estimated liability is based upon information provided by insurance carrier, which the District believes is a reasonable basis for determining unpaid claims as of June 30, 2022. The following is a recap of the District's claims:

Claim liability as of July 1, 2021	\$ 1,504,567
Claims incurred	12,461,909
Claims paid	(12,488,016)
Claim liability as of June 30, 2022	\$ 1,478,460

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2022

The District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 15 TRANSFERS

The following is a summary of transfers for the year ended June 30, 2022:

	General Fund	Other Funds - Nonmajor	Total
Transfers in	\$ 543,372	\$ 664,390	\$ 1,207,762
Transfers out	(664,390)	(543,372)	(1,207,762)
	<u>\$ (121,018)</u>	<u>\$ 121,018</u>	<u>\$ -</u>

The transfers were to transfer amounts to be used for capital projects.

NOTE 16 FUND BALANCES

At June 30, 2022, a summary of the governmental fund balance classification is as follows:

	General Fund	Capital Projects - MPSD	Other Nonmajor Governmental Funds	Total Governmental Funds
Non-spendable:				
Inventories	\$ -	\$ -	\$ 376,224	\$ 376,224
Restricted:				
Debt service	-	-	13,600,422	13,600,422
Food service	-	-	2,068,972	2,068,972
Student activities	449,321	-	-	449,321
Capital projects	-	94,352,081	1,191,530	95,543,611
Unassigned	25,499,814	(7,266,233)	(12,544)	18,221,037
	<u>\$ 25,949,135</u>	<u>\$ 87,085,848</u>	<u>\$ 17,224,604</u>	<u>\$ 130,259,587</u>

NOTE 17 CONTINGENCIES

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

NOTE 18 ECONOMIC DEPENDENCY

Minot Public School District No. 1 receives a substantial amount of its support from federal and state governments. A significant reduction in the level of this support, if this were to occur, may have a material effect on the District's programs and therefore on its continued operations.

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2022

NOTE 19 PRIOR PERIOD ADJUSTMENT

The District recorded prior period adjustments to the June 30, 2022 financial statements for the following:

- Revenues were adjusted include receivables on grant revenues earned, but not accrued as a receivable as of June 30, 2021. This increased receivables and fund balance by \$125,198 for the year ended June 30, 2022.
- Accounts payable for self-funded health insurance was adjusted to actual as of June 30, 2021. This decreased accounts payable and increased proprietary fund net position by \$174,030.
- Restricted cash was adjusted to include escrow amounts that were set aside as of June 30, 2021 for debt payments. This increased cash and fund balance by \$15,428,869.
- On the statement of net position, bonds payable was adjusted to include bonds payable balances that were incorrectly removed as of June 30, 2021. This increased bonds payable and decreased net position by \$15,185,000.

NOTE 20 COMMITMENTS

In the current year, the District entered into various construction commitments to be completed in future years. These consisted of the construction and renovation of the new Magic City High School, Minot North construction, and Minot Area Workforce Academy. The original contract amount for the Magic City High School and CTE renovation was \$2,766,215, of which \$170,635 was paid as of June 30, 2022. The original contract amount for Minot North construction was \$30,499,513, of which \$4,337,611 was paid and included in construction in progress amounts as of June 30, 2022. The original contract amount for the Minot Area Workforce Academy was \$5,418,330. No amounts have been paid on this contract as of June 30, 2022.

NOTE 21 FUTURE PRONOUNCEMENTS

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

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2022

reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

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

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

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2022

- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management’s Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statement.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, provides guidance on accounting and financial reporting requirements for accounting changes and error corrections. Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

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

GASB Statement No. 101, *Compensated Absences*, provides guidance on the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2022

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

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

NOTE 22 SUBSEQUENT EVENTS

No significant events occurred subsequent to the School's year end. Subsequent events have been evaluated through October 25, 2022, which is the date these financial statements were available to be issued.

MINOT PUBLIC SCHOOL DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amounts, Original and Final	Actual Amounts, Budgetary Basis	Variance with Final Budget
REVENUES			
Local sources			
Property taxes	\$ 19,426,000	\$ 18,661,799	\$ (764,201)
Other local sources	11,224,465	10,942,592	(281,873)
County sources	750,000	1,139,389	389,389
State sources	69,133,307	70,807,864	1,674,557
Federal sources	18,278,228	14,436,542	(3,841,686)
Total revenues	<u>118,812,000</u>	<u>115,988,186</u>	<u>(2,823,814)</u>
EXPENDITURES			
Instruction:			
Regular	46,181,483	45,114,816	1,066,667
Special education	18,554,499	17,580,718	973,781
Vocational education	3,381,760	3,133,991	247,769
Federal instruction	16,491,857	12,040,846	4,451,011
Total instruction	<u>84,609,599</u>	<u>77,870,371</u>	<u>6,739,228</u>
Tuition:	<u>1,305,000</u>	<u>1,062,291</u>	<u>242,709</u>
Support services:			
Pupil services	3,230,135	3,087,048	143,087
Instructional staff services	3,375,257	3,035,349	339,908
General administration services	4,653,762	4,279,702	374,060
School administration services	7,434,470	6,949,587	484,883
Business services	690,784	643,221	47,563
Operations and maintenance	11,423,500	11,856,370	(432,870)
Pupil transportation services	2,207,000	2,189,285	17,715
Lease payments	667,000	664,389	2,611
Total support services	<u>33,681,908</u>	<u>32,704,951</u>	<u>976,957</u>
Non-education services:			
Enterprise services	472,550	386,503	86,047
Community services	2,210,312	2,222,643	(12,331)
Student activities	1,935,730	2,567,773	(632,043)
Services provided another LEA	120,000	94,273	25,727
Total non education services	<u>4,738,592</u>	<u>5,271,192</u>	<u>(532,600)</u>
Total expenditures	<u>124,335,099</u>	<u>116,908,805</u>	<u>7,426,294</u>
Excess (deficiency) of revenues over expenditures	<u>(5,523,099)</u>	<u>(920,619)</u>	<u>4,602,480</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	10,000	32,579	22,579
Transfers in	543,000	543,372	372
Total other financing sources and uses	<u>553,000</u>	<u>575,951</u>	<u>22,951</u>
Net change in fund balances	(4,970,099)	(344,668)	4,625,431
Fund balances - beginning	19,972,102	19,972,102	-
Fund balances - ending	<u>\$ 15,002,003</u>	<u>\$ 19,627,434</u>	<u>\$ 4,625,431</u>

See Notes to the Required Supplementary Information

MINOT PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULES OF EMPLOYER CONTRIBUTIONS - PENSION
LAST TEN FISCAL YEARS*

NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered- employee payroll	Contributions as a percentage of covered-employee payroll
2022	\$ 6,353,473	\$ (6,353,473)	\$ -	\$ 49,831,172	12.75%
2021	5,791,474	(5,791,474)	-	49,289,153	11.75%
2020	5,691,413	(5,691,413)	-	44,638,534	12.75%
2019	5,687,971	(5,687,971)	-	45,852,703	12.40%
2018	5,674,143	(5,674,143)	-	44,503,060	12.75%
2017	5,727,812	(5,727,812)	-	44,924,000	12.75%
2016	5,554,725	(5,554,725)	-	43,566,502	12.75%
2015	5,327,246	(5,327,246)	-	41,782,306	12.75%

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered- employee payroll	Contributions as a percentage of covered-employee payroll
2022	\$ 1,488,621	\$ (1,488,621)	\$ -	\$ 20,407,150	7.29%
2021	1,373,074	(1,373,074)	-	19,765,013	6.95%
2020	1,371,279	(1,371,279)	-	19,259,537	7.12%
2019	1,285,267	(1,285,267)	-	18,051,503	7.12%
2018	1,259,237	(1,259,237)	-	17,685,913	7.12%
2017	1,234,550	(1,234,550)	-	17,339,185	7.12%
2016	1,137,121	(1,137,121)	-	15,970,801	7.12%
2015	1,047,245	(1,047,245)	-	14,708,497	7.12%

* Complete data for this schedule is not available prior to 2015

See Notes to the Required Supplementary Information

MINOT PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB
LAST TEN FISCAL YEARS*

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered- employee payroll	Contributions as a percentage of covered-employee payroll
2022	\$ 186,575	\$ (186,575)	\$ -	\$ 16,405,312	1.14%
2021	204,408	(204,408)	-	17,991,944	1.14%
2020	220,640	(220,640)	-	19,354,386	1.14%
2019	209,313	(209,313)	-	18,360,789	1.14%
2018	201,619	(201,619)	-	17,685,877	1.14%

*Complete data for this schedule is not available prior to 2018

See Notes to the Required Supplementary Information

MINOT PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULES OF EMPLOYER'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST TEN FISCAL YEARS*

NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered- employee payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2022	6.450834%	\$ 67,969,551	\$ 49,289,153	136.71%	75.70%
2021	6.323983%	96,788,786	44,638,534	209.76%	63.40%
2020	6.363097%	87,635,161	45,852,703	191.12%	65.50%
2019	6.546403%	87,254,274	44,503,060	196.06%	65.50%
2018	6.655690%	91,417,617	44,924,000	203.49%	63.20%
2017	6.705377%	98,237,700	43,566,502	225.49%	59.20%
2016	6.792713%	88,838,849	41,782,306	212.62%	62.10%
2015	6.911929%	72,424,762	40,092,868	180.64%	66.60%

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered- employee payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2022	1.68384%	\$ 17,550,621	\$ 19,765,013	88.80%	78.26%
2021	1.71524%	53,961,723	19,259,537	280.18%	48.91%
2020	1.74990%	20,510,071	18,051,503	113.62%	71.66%
2019	1.69713%	28,640,903	17,434,897	164.27%	62.80%
2018	1.66806%	26,811,182	17,028,272	157.45%	61.98%
2017	1.58004%	15,398,991	15,923,030	96.71%	70.46%
2016	1.51309%	10,288,781	13,479,829	76.33%	77.15%
2015	1.51033%	9,586,375	12,722,678	75.35%	77.70%

* Complete data for this schedule is not available prior to 2015

See Notes to the Required Supplementary Information

MINOT PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
JUNE 30, 2022

	Employer's proportion of the net OPEB liability (asset)	Employer's proportionate share of the net OPEB liability (asset)	Employer's covered- employee payroll	Employer's 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	1.538681%	\$ 855,773	\$ 17,991,944	4.76%	76.63%
2021	1.614360%	1,357,996	18,403,232	7.38%	63.38%
2020	1.631204%	1,310,162	18,360,789	7.14%	63.13%
2019	1.593368%	1,254,886	17,434,897	7.20%	61.89%
2018	1.574009%	1,245,058	17,028,272	7.31%	59.78%

*Complete data for this schedule is not available prior to 2018

See Notes to the Required Supplementary Information

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

The District's Board follows the procedures established by North Dakota law for the budgetary process. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year. Formal budgetary integration is employed as a management control device during the year for the general fund. The School Board must adopt the preliminary budget and tax levy and provide it to the county auditor on or before August 10. The final budget and tax levy must be filed with the county auditor by October 10.

The budget may be amended during the year by the Board; however, no amendment changing the taxes levied can be made after October 10.

All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

NOTE 2 BUDGETARY BASIS OF ACCOUNTING

To provide a meaningful comparison of the District's actual results compared to the budgeted results, the Statements of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual are prepared on the District's budgetary basis. Under the District's budgetary basis of accounting, revenues are budgeted on the cash basis of accounting. Expenditures are also budgeted on the cash basis except for teacher salaries and benefits. The District allows teachers to take their compensation in nineteen or twenty-four payments. The budget is prepared estimating the entire contract cost regardless of when the actual payment is made.

Budgeted Inflows and Outflows

Listed below is a reconciliation between the revenues and expenditures as presented in the District's Statement of Revenues, Expenditures, and Changes in Fund Balance and the budgetary inflows and outflows presented in the District's general fund budget.

	<u>General Fund</u>
<i>Sources/Inflows of resources</i>	
Actual revenues (budgetary basis) presented on the budgetary comparison schedule	\$ 115,988,186
<u>Difference - budget to GAAP</u>	
Net effect of June 30, 2021 and 2022 unearned revenue being recognized on the budget statement when collected but not recorded as revenue until earned.	506,203
Student activities revenues included in the fund statements but not on the budget statement due to the implementation of GASB 84.	2,056,222
Net effect of June 30, 2021 and 2022 revenue recorded when measurable and available on the revenue statement but not recorded as revenue on the budget statement until collected.	<u>(390,851)</u>
Total revenue as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Government Funds.	<u>\$ 118,159,760</u>

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
JUNE 30, 2022

Uses/outflows of resources

Actual expenditures and transfers (budgetary basis) presented on the budgetary comparison schedule	\$ 116,908,805
<u>Difference - budget to GAAP</u>	
Student activities expenses included in the fund statements but not on the budget statement due to the implementation of GASB 84.	1,947,198
Net effect of June 30, 2021 and 2022 liabilities that are paid from "available resources" and are recognized as an expenditure when the obligation is incurred on the revenue statement but not recorded on the budget statement until paid.	<u>(514,343)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 118,341,660</u>

NOTE 3 CHANGE OF ASSUMPTIONS AND BENEFIT TERMS

TFFR Pension Plan

Changes of Assumptions

Amounts reported in 2021 and later reflect actuarial assumption changes effective July 1, 2015 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.

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
JUNE 30, 2022

- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

NDPERS Pension Plan

Changes of Assumptions

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

Changes of Benefit Terms

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

NDPERS OPEB

Changes of assumptions

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

Changes of benefit terms

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

MINOT PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>Pass-Through Grantor Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Passed through the ND Department of Public Instruction:			
National School Lunch Program	10.555	F10555 / PII000614	\$ 315,220
National School Lunch Program - Commodities	10.555	F10555 / PII000614	347,424
Special Milk Program for Children	10.556	F10556	2,034
Summer Food Service Program	10.559	F10559	5,684,280
Summer Food Service Program - Commodities	10.559	F10559	4,456
Fresh Fruit & Vegetable Program	10.582	F10582	<u>160,743</u>
Total Child Nutrition Cluster			6,514,157
Child Care Food Program - Head Start	10.558	F10558	204,782
State Pandemic Electronic Benefit Transfer	10.649	F10649	<u>3,063</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>6,722,002</u>
<u>U.S. Department of Defense</u>			
National Guard Challenge Program	12.404		371,335
Reserve Officer Training Course	12.U01		<u>58,862</u>
TOTAL U.S. DEPARTMENT OF DEFENSE			<u>430,197</u>
<u>U.S. Department of Education</u>			
Indian Education - Grants to Local Educational Agencies	84.060A		56,835
Passed through the ND Department of Public Instruction			
Adult Education - Basic Grants to States	84.002A	F84002A	104,252
Title I	84.010	PII017, PII019	1,746,287
Program for Neglected and Delinquent Children and Youth	84.013	PII018	259,094
Education for Homeless Children and Youth	84.196	PII022	4,280
Twenty-First Century Community Learning Centers	84.287	PII066	432,968
English Language Acquisition State Grants	84.365A	F84365A	10,952
Supporting Effective Instruction State Grants	84.367A	F84367A	563,269
ED Grants for State Assessments and Related Activities	84.369A	F84369A	15,354
Striving Readers/Comprehensive Literacy Development	84.371C	F84371C	966,714
Student Support and Academic Enrichment Program	84.424A	F84424A	227,104
CRRSA - Emergency Assistance for Non-Public Schools	84.425R	F84425R	163,273
Adult Ed IET Grant	84.425D	F84425	22,949
COVID-19: ESSER CTE	84.425D	F84425	12,200
COVID-19: ESSER I Special Ed Early Childhood	84.425D	F84425	10,654
COVID-19: ESSER II	84.425D	F84425	5,037,903
COVID-19: ESSER III	84.425U	F84425	1,254,283
ARP - ESSER	84.425U	F84425	99,475
ARP - ESSER - Homeless Children and Youth	84.425W	F84425	<u>13,616</u>
Total 84.425 ESSER funds			6,451,080
Special Education - Preschool Grants	84.173	PII026	73,831
Special Education Grants to States	84.027	PII024	2,953,916
Special Education Grants to States	84.027A	N/A	<u>20,000</u>
Total Special Education Cluster			3,047,747
Passed through ND State Department of Vocational Education			
Career and Tech Education Basic Grants to States	84.048A	F84048A	<u>165,338</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>14,214,547</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through ND Department of Health			
Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	NU50CK000514	453,103
Headstart Cluster			
Headstart	93.600		4,005,026
COVID-19: Headstart	93.600		<u>217,550</u>
Total Headstart Cluster			4,222,576
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>4,675,679</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 26,042,425</u>

See Notes to the Schedule of Expenditures of Federal Awards

MINOT PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards (the "Schedule") are reported on the accrual basis of accounting. Such expenditures are recognized following the applicable cost principles contained in Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award*, wherein certain types of expenditures are not allowable or limited as to reimbursement.

NOTE 2 DE MINIMIS COST RATE

Minot Public School District No. 1 has not elected to use the 10-percent de minimis cost rate as allowed under the Uniform Guidance.

NOTE 3 BASIS OF PRESENTATION

The accompanying Schedule includes the federal award activity of Minot Public School District No. 1 under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Minot Public School District No. 1, it is not intended to and does not present the net position, changes in net position, or cash flows of Minot Public School District No. 1.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education
Minot Public School District No. 1
Minot, 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 government activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Minot Public School District No. 1 as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Minot Public School District No. 1's basic financial statements, and have issued our report thereon dated October 25, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Minot Public School District No. 1's internal control over financial reporting (internal control) as a basis for designing the 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 Minot Public School District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of Minot Public School District No. 1's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2022-002 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Minot Public School District No. 1'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*.

District's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on Minot Public School District No. 1's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Minot Public School District No. 1's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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



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

October 25, 2022

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

To the Board of Education
Minot Public School District No. 1
Minot, North Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Minot Public School District No. 1's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal programs for the year ended June 30, 2022. The Minot Public School District No. 1's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The Minot Public School District No. 1's basic financial statements include the operations of the Minot Air Force Base School District #160 as a discretely presented component unit which spent \$7,234,073 in federal awards. These awards are not included in the District's schedule of expenditures of federal awards for the year ended June 30, 2022. Our audit described below did not include the operations of the above-mentioned component unit because a separate audit was performed in accordance with Uniform Guidance.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Minot Public School District No. 1 and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Minot Public School District No. 1's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Minot Public School District No. 1's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Minot Public School District No. 1's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Minot Public School District No. 1's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Minot Public School District No. 1's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Minot Public School District No. 1's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Minot Public School District No. 1's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on

a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



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

October 25, 2022

MINOT PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	<u> x </u> yes	<u> </u> no	
Significant deficiency(ies) identified?	<u> x </u> yes	<u> </u> none reported	
Noncompliance material to financial statements noted?	<u> </u> yes	<u> x </u> no	

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	<u> </u> yes	<u> x </u> no	
Significant deficiency(ies) identified?	<u> </u> yes	<u> x </u> none reported	

Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
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Any audit findings disclosed that are Required to be reported in accordance with 2 CFR 200.516(a)?	<u> </u> yes	<u> x </u> no
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<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555/10.556/10.559/10.582	Child Nutrition Cluster
84.010	Title I
84.371	Comprehensive Literacy Development
84.425	COVID-19: Elementary and Secondary School Emergency Relief Fund (ESSER)

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 781,273</u>
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Auditee qualified as a low-risk auditee?	<u> x </u> yes	<u> </u> no
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MINOT PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
FOR THE YEAR ENDED JUNE 30, 2022

Section II - Financial Statement Findings

2022-001 Preparation of the Financial Statements – Significant Deficiency

Criteria

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

Condition

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

Cause

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

Effect

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

The School Board has decided to accept the degree of risk associated with the District not preparing its own financial statements due to the time and expense necessary to have staff prepare the statements prior to the annual audit.

Indication of Repeat Finding

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

MINOT PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
FOR THE YEAR ENDED JUNE 30, 2022

2022-002 Proposition of Journal Entries – Material Weakness

Criteria

The District is required to maintain internal controls at a level where underlying support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with GAAP.

Condition

During our audit, adjusting entries to the financial statements were proposed in order to properly reflect the financial statements in accordance with GAAP.

Cause

The District's internal controls have not been designed to address the specific training needs required of its personnel to identify the adjustments necessary to properly reflect the financial statements in accordance with GAAP.

Effect

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

A material prior period adjustment was done to report for the 2011 and 2014 bonds that should have been on the financials as of 06/30/2021. The bond issue that paid off the callable maturities of the 2011 and 2014 bond issues was structured as a crossover advanced refunding. This means that the old bonds from 2011 and 2014 remain outstanding until the crossover date (call date), at which time the District starts to make payments on the new bonds.

The escrow account had the funds for the callable maturities on both the 2011 and 2014 bond issues, as well as the interest payments that were due on the new bonds. This was done so the District was not making double payments with the crossover structure. The District continued to make payments on the 2011 and 2014 bonds until their call dates. The call date on the 2011 bonds was 8/1/2021 and the call date on the 2014 bonds was 8/1/2022.

Minot Public School District No. 1 will review internal controls to ensure bonds proceeds in escrow are accounted for on the district financials.

Indication of Repeat Finding

This is a new finding in the current year.

MINOT PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
FOR THE YEAR ENDED JUNE 30, 2022

Section III – Federal Award Findings and Questioned Costs

There are no findings to be reported under this section.

MINOT PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

2021-001 Financial Statement Preparation – Significant Deficiency

Criteria

An appropriate system of internal controls requires that the District make a determination that the financial statements and the underlying general ledger accounts are properly stated in compliance with accounting principles generally accepted in the United States of America. This requires the District's personnel to maintain a working knowledge of current accounting principles generally accepted in the United States of America and required financial statement disclosures. The auditors also assisted with the preparation of the schedule of expenditures of federal awards.

Condition

The District's auditors prepared the draft financial statements and provided assistance in the presentation of the Schedule of Expenditures of Federal Awards. In addition, adjusting journal entries were proposed to bring the financial statements into compliance with accounting principles generally accepted in the United States of America (U.S. GAAP). An appropriate system of internal controls requires that the District must make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with GAAP. The District has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause

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

Effect

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

Recommendation

We recommend the District review its current training system to determine if it is cost effective for the District to obtain this knowledge internally. As a compensating control, the District should establish an internal control policy to reconcile all accounts timely and document the review of the annual financial statements with a disclosure checklist.

Views of Responsible Officials and Planned Corrective Actions

The School Board has decided to accept the degree of risk associated with the District not preparing its own financial statements due to the time and expense necessary to have staff prepare the statements prior to the annual audit.

Current Status

Based upon our audit testing, the finding was repeated as current year finding 2022-001.



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Minot, ND 58701
Ph 701-857-4400
Fax 701-857-4432

Corrective Action Plan - June 30, 2022

2022-001

Contact Person

Laura Dokken, Business and Operations Manager

Corrective Action Plan

The Board of Education of Minot Public School District No. 1 has decided to accept the degree of risk associated with the District not preparing its own financial statements due to the time and expense necessary to have staff prepare the financial statements prior to the annual audit.

Completion Date

Minot Public School District No. 1 will implement when it becomes cost effective.

2022-002

Contact Person

Laura Dokken, Business and Operations Manager

Corrective Action Plan

Minot Public School District No. 1 will review internal controls to ensure bonds proceeds in escrow are accounted for on the district financials.

Completion Date

Minot Public School District No. 1 completed this review in August of 2022.