

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4  
MINOT, NORTH DAKOTA**

AUDITED BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
**ROSTER OF SCHOOL OFFICIALS - UNAUDITED**  
**JUNE 30, 2022**

Jim Vannett	President
Holly Breckhus	Vice-President
Todd Awalt	Board Member
Chris Sutton	Board Member
Robert Kraus	Board Member
Matt Norby	Superintendent
Connie Marcellais	Business Manager

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Nedrose Public School District No. 4  
Minot, North Dakota

### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and each major fund of Nedrose Public School District No. 4, 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 and each major fund of Nedrose Public School District No. 4 as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to the 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 Nedrose Public School District No. 4, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Nedrose Public School District No. 4'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 Nedrose Public School District No. 4'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 Nedrose Public School District No. 4's ability to continue as a going concern for a reasonable period of time.

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

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules, schedule of District's contributions to the TFFR pension plans, and the District's proportionate share of net pension liability as listed in 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

## Supplementary Information

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

## Other Information

Management is responsible for the other information included in the annual report. The other information comprises the roster of school officials on page 1 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or provide any assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2023 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.  
GRAND FORKS, NORTH DAKOTA**

January 17, 2023



**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

<b>ASSETS</b>	
Current Assets:	
Cash	\$ 1,776,730
Property Taxes Receivable (Net)	176,915
Due From Other Governments	1,313,894
Total Current Assets	3,267,539
Non-Current Assets:	
Capital Assets	
Land	1,076,441
Buildings	26,836,545
Equipment	732,216
Vehicles	876,829
Construction in Progress	79,983
Less Accumulated Depreciation	(5,120,325)
Total Non-Current Assets	24,481,689
<b>TOTAL ASSETS</b>	<b>27,749,228</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Cost Sharing Defined Benefit Pension Plan - TFFR	1,589,161
Cost Sharing Defined Benefit Pension Plan - NDPERS	57,554
Cost Sharing Defined Benefit OPEB Plan - NDPERS	1,301
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,648,016</b>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	26,675
Accrued Payroll Liabilities	73,963
Interest Payable	145,022
Bonds Payable Within a Year	669,572
Total Current Liabilities	915,232
Long-Term Liabilities:	
Bonds Payable (Net of Current Portion)	16,898,442
Compensated Absences	41,688
Net Pension Liability	4,806,056
Total Non-Current Liabilities	21,746,186
<b>TOTAL LIABILITIES</b>	<b>22,661,418</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Cost Sharing Defined Benefit Pension Plan - TFFR	1,650,464
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,650,464</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	6,913,675
Restricted for:	
Building	527,421
Student Activities	142,381
Unrestricted	(2,498,115)
<b>TOTAL NET POSITION</b>	<b>\$ 5,085,362</b>

See Notes to the Basic Financial Statements

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES</b>				
Business Support Services	\$ 346,004	\$ -	\$ -	\$ (346,004)
Instructional Support Services	135,651	-	-	(135,651)
Administration	458,006	-	-	(458,006)
Operations and Maintenance	992,635	-	-	(992,635)
Transportation	373,636	-	187,913	(185,723)
Regular Instruction	5,550,091	-	1,350,839	(4,199,252)
Special Education	250,257	68,607	-	(181,650)
Extra-Curricular Activities	528,773	159,555	-	(369,218)
Food Services	509,011	629	487,838	(20,544)
Interest and Fees on Long-Term Debt	495,724	-	-	(495,724)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 9,639,788</b>	<b>\$ 228,791</b>	<b>\$ 2,026,590</b>	<b>(7,384,407)</b>
<b>GENERAL REVENUES</b>				
				1,407,613
Property Taxes, Levied for General Purposes				207,913
Property Taxes, Levied for Capital Projects				1,534,709
Property Taxes, Levied for Debt Service				5,317,535
Aids and Payments from the State				7,071
Unrestricted Investment Earnings				
<b>TOTAL GENERAL REVENUES</b>				<b>8,474,841</b>
Change in Net Position				1,090,434
Net Position - Beginning				3,994,928
Net Position - Ending				<b>\$ 5,085,362</b>

See Notes to the Basic Financial Statements

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**JUNE 30, 2022**

	General Fund	Building Fund	Debt Service Fund	Food Service Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 1,212,685	\$ 515,682	\$ -	\$ 48,363	\$ 1,776,730
Property Taxes Receivable (Net)	78,743	11,739	86,433	-	176,915
Due from Other Funds	184,880	-	-	-	184,880
Due from Other Governments	1,313,894	-	-	-	1,313,894
<b>TOTAL ASSETS</b>	<b>\$ 2,790,202</b>	<b>\$ 527,421</b>	<b>\$ 86,433</b>	<b>\$ 48,363</b>	<b>\$ 3,452,419</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 26,675	\$ -	\$ -	\$ -	\$ 26,675
Due to Other Funds	-	-	184,880	-	184,880
Accrued Payroll Liabilities	73,963	-	-	-	73,963
<b>TOTAL LIABILITIES</b>	<b>100,638</b>	<b>-</b>	<b>184,880</b>	<b>-</b>	<b>285,518</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue - Uncollected Taxes	29,681	10,223	32,582	-	72,486
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>29,681</b>	<b>10,223</b>	<b>32,582</b>	<b>-</b>	<b>72,486</b>
<b>FUND BALANCES</b>					
Restricted	142,381	517,198	-	-	659,579
Assigned	-	-	-	48,363	48,363
Unassigned	2,517,502	-	(131,029)	-	2,386,473
<b>TOTAL FUND BALANCES</b>	<b>2,659,883</b>	<b>517,198</b>	<b>(131,029)</b>	<b>48,363</b>	<b>3,094,415</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 2,790,202</b>	<b>\$ 527,421</b>	<b>\$ 86,433</b>	<b>\$ 48,363</b>	<b>\$ 3,452,419</b>

See Notes to the Basic Financial Statements

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO**  
**THE STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

Total fund balances - governmental funds		\$ 3,094,415
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as net assets in government funds:		
Cost of capital assets	\$ 29,602,014	
Less: accumulated depreciation	<u>(5,120,325)</u>	
Net		24,481,689
Net deferred outflows/(inflows) of resources relating to the cost sharing defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows/(inflows) of resources in the governmental funds.		
		(2,448)
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 deferred in the funds.		
		72,486
Long-term liabilities are not due and payable in the current period and therefore are not recorded as liabilities in the governmental funds.		
Bonds Payable		(17,568,014)
Compensated Absences		(41,688)
Net Pension Liability		(4,806,056)
Interest payable is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.		
		<u>(145,022)</u>
Net Position - Governmental Activities		<u><u>\$ 5,085,362</u></u>

See Notes to the Basic Financial Statements

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	General Fund	Building Fund	Debt Service Fund	Food Service Fund	Total Governmental Funds
<b>REVENUES</b>					
Local Property Tax Levies	\$ 1,492,509	\$ 214,969	\$ 1,629,330	\$ -	\$ 3,336,808
Other Local and County Revenues	319,384	-	-	629	320,013
Revenue from State Sources	5,505,448	-	-	997	5,506,445
Revenue from Federal Sources	1,259,617	-	-	486,841	1,746,458
Interest	7,057	-	-	14	7,071
<b>TOTAL REVENUES</b>	<b>8,584,015</b>	<b>214,969</b>	<b>1,629,330</b>	<b>488,481</b>	<b>10,916,795</b>
<b>EXPENDITURES</b>					
Current:					
Business Support Services	346,004	-	-	-	346,004
Instructional Support Services	135,651	-	-	-	135,651
Administration	458,006	-	-	-	458,006
Operations and Maintenance	682,805	306,468	-	-	989,273
Transportation	316,023	-	-	-	316,023
Regular Instruction	4,945,184	-	-	-	4,945,184
Special Education	250,257	-	-	-	250,257
Extra-Curricular Activities	528,773	-	-	-	528,773
Food Services	-	-	-	509,011	509,011
Capital Outlay	170,820	96,798	-	-	267,618
Debt Service:					
Principal Retirement	-	-	1,739,926	-	1,739,926
Interest and Fiscal Charges on Long-Term Debt	-	-	520,705	-	520,705
<b>TOTAL EXPENDITURES</b>	<b>7,833,523</b>	<b>403,266</b>	<b>2,260,631</b>	<b>509,011</b>	<b>11,006,431</b>
Excess (Deficiency) of Revenues over Expenditures	750,492	(188,297)	(631,301)	(20,530)	(89,636)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers Out	(25,000)	-	-	-	(25,000)
Transfers In	-	-	-	25,000	25,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(25,000)</b>	<b>-</b>	<b>-</b>	<b>25,000</b>	<b>-</b>
Net Change in Fund Balances	725,492	(188,297)	(631,301)	4,470	(89,636)
Fund Balance - Beginning of Year	1,934,391	705,495	500,272	43,893	3,184,051
Fund Balance - End of Year	<b>\$ 2,659,883</b>	<b>\$ 517,198</b>	<b>\$ (131,029)</b>	<b>\$ 48,363</b>	<b>\$ 3,094,415</b>

See Notes to the Basic Financial Statements

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

Total net change in fund balances - Governmental Funds \$ (89,636)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the useful lives as depreciation expense.

Capital Outlays	\$	267,618
Depreciation Expense		<u>(639,006)</u>

Excess of depreciation expense over capital outlay (371,388)

Some revenues will not be collected for several months after the District's fiscal year end. These revenues are considered "available" revenues in the government funds.

These revenues consist of:

Net change in unavailable property taxes	(186,573)
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Repayment of long-term debt is reported as an expenditure or other financing use in the governmental funds. However, the repayment reduces long-term liabilities in the statement of net position.

1,739,926

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These items consisted of the (increase)/decrease in:

Compensated Absences	(350)
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Changes in deferred outflows and inflows of resources related to net pension liability (1,860,376)

Change in net pension liability 1,833,850

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

24,981

Change in net position - Governmental Activities	<u><u>\$ 1,090,434</u></u>
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See Notes to the Basic Financial Statements

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

The Nedrose Public School District No. 4 operates a public school in the city of Minot, North Dakota. There is a combined elementary school and junior/senior high school.

Reporting Entity – components 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 the District’s approval of the budget, issuance of debt, and/or levying of taxes for the organization.

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

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Nedrose Public School District No. 4 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. The District’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.

**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 and grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District.

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

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2022

**Fund Financial Statements:**

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

***Fund Accounting***

The District's funds consist of the following:

**Governmental Funds**

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

**General Fund** - The general fund is the general operating fund of the school district. It accounts for all financial resources except those requiring to be accounted for in another fund, including the Student Activity Fund.

**Capital Projects Funds** - Capital projects funds are used to account and report financial resources that are *restricted, committed, or assigned* to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

**Debt Service Funds** - The Debt Service fund is used to account for the accumulation of resources for, and the payments of, general long-term debt principal, interest, and related costs.

**Special Revenue Funds** - Special Revenue fund is used to account for the proceeds of certain specific revenue sources that are legally restricted to expenditures for specified purposes. Included in this category is the food service operating fund. It accounts for all financial resources related to food service.

***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, deferred inflows and outflows of resources, and liabilities associated with the operation of the District are included in the statement of net position.



**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2022

*Fund Financial Statements:*

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

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

**Basis of Accounting:**

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

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

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

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

**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 and intergovernmental revenues.

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2022**

**Unearned/Unavailable Revenues:**

Unearned/unavailable revenue arises when assets are recognized in the financial statements before the revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenues.

On the governmental fund financial statements, receivables that will not be collected during the availability period have been reported as unavailable revenue.

**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.

**Budgets and Budgetary Accounting:**

The District's Board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School District, annually on or before the last day of July must levy taxes. The governing body of the School District may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year. Taxes for School District purposes must be based upon an itemized budget statement which must show the complete expenditure by program of the District for the current fiscal year and the sources of the revenue from which it is to be financed. The School Board, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the District and to provide a sinking fund to pay and discharge the principal thereon at maturity.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The administration prepares the District's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.
2. The Board reviews the budget, may make revisions, and adopts the final budget at the September board meeting to ensure it is adopted before the fifteenth of October each year. The budget is then filed with the county auditor by October tenth of each year.
3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 15 of each year. The budget amounts shown in the financial statements are the final authorized amounts.
4. All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts to each respective fund and is available for future appropriation.

The General fund expenditures were \$268,250 under budget at June 30, 2022.

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2022**

**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.

**Investments:**

Investments are recorded at market value. North Dakota State Statute authorizes school districts to invest their surplus funds in: a) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the Treasury of the United States, or its agencies, instrumentality's, or organizations created by an act of Congress, b) Securities sold under agreements to repurchase, written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above, c) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation of the state, d) Obligations of the state.

**Fair Value Measurements:**

The Organization accounts for all assets and liabilities that are being measured and reported on a fair value basis in accordance with GAAP. GAAP defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements. When fair value measurements are required, various data is used in determining those values. This statement requires that assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

**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. 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	50 Years
Buildings and Improvements	50 Years
Equipment and Fixtures	10 Years
Vehicles	10 Years

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2022

**Accrued Liabilities and Long-term Obligations:**

All payables accrued liabilities and long-term obligations are reported in the District's government-wide financial statements. The District's governmental fund financials report only those obligations that will be paid from current financial resources.

**Pensions:**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employee Retirement System (NDPERS), 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.

**Sick Leave:**

Upon separation from the District, employees are paid \$25/day for unused sick leave up to a maximum of 100 days, or \$2,500, for certified employees and 40 days, or \$1,000, for non-certified employees.

**Fund Balance Classifications:**

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

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

*Restricted* – 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 Education. The District does not have any fund balance classified as restricted.

*Committed* – consists of internally imposed constraints. These constraints are established by resolution of the Board of Education. The District does not have any fund balance classified as committed.

*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 Board of Education and/or management.

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

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2022

When both restricted and unrestricted resources are available for use, it is the District's policy to first use restricted resources, then use unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for us, it is the District's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

The District has classified the spendable fund balances as Assigned and Unassigned and considers each to have been spent when expenditures are incurred.

**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 resource (expense/expenditure) until then. The District has one item reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents actuarial differences within the TFFR and NDPERS pension plans, as well as amounts paid to the plan after the measurement date.

In addition to liabilities, the statement of net position and balance sheet 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 two types of items, one which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue – delinquent taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also has one item reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents the actuarial differences within the TFFR and NDPERS pension plans.

**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 or 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.

**Inter-fund 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 inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Inter-fund activities within the District's governmental activities and its business-type activities, is eliminated in the statement of activities.

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
NOTES TO THE BASIC 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.

**Revenue Recognition - Property Taxes:**

Taxes receivable consist 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 have 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.

**Significant Group Concentrations of Credit Risk:**

As of June 30, 2022, the District's receivables consist of amounts due from other governmental units within the State of North Dakota and the federal government.

**NOTE 3 CASH AND INVESTMENTS**

**Custodial Credit Risk – Deposits**

In accordance with North Dakota laws, the District maintains deposits at a depository authorized by the School Board. The depository is a member of the Federal Reserve System.

North Dakota laws require that all public deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal at least 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral includes the legal investments described below, as well as certain first mortgage notes, and certain other state or local government obligations. North Dakota laws require that securities pledged as collateral be held in safekeeping by the District treasurer or in a financial institution other than that furnishing the collateral.

At June 30, 2022, the carrying amount of the District's deposits was \$1,776,730 and the bank balance was \$1,897,137. The entire bank balance was covered by Federal Depository Insurance or by collateral held by the District's Agent in the District's name in amounts sufficient to meet North Dakota legal requirements.

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2022**

**Interest Rate Risk**

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

**Concentration of Credit Risk**

The District places no limit on the amount the District may invest in any one issuer.

**Custodial Credit Risk - Investments**

The District does not have any investments subject to the credit risk classifications as noted in paragraph 9 of GASB Statement 40.

**NOTE 4 CAPITAL ASSETS**

The following is a summary of changes in general fixed asset account group during the year:

	Balance 7/1/2021	Additions	Disposals	Balance 6/30/2022
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated				
Land	\$ 1,076,441	\$ -	\$ -	\$ 1,076,441
Construction in Progress	-	79,983	-	79,983
Total	<u>1,076,441</u>	<u>79,983</u>	<u>-</u>	<u>1,156,424</u>
Capital Assets Being Depreciated				
Buildings	26,789,730	46,815	-	26,836,545
Equipment	697,166	35,050	-	732,216
Vehicles	833,759	105,770	62,700	876,829
Total	<u>28,320,655</u>	<u>187,635</u>	<u>62,700</u>	<u>28,445,590</u>
Less Accumulated Depreciation				
Buildings	3,737,669	521,329	-	4,258,998
Equipment	276,415	65,185	-	341,600
Vehicles	529,935	52,492	62,700	519,727
Total	<u>4,544,019</u>	<u>639,006</u>	<u>62,700</u>	<u>5,120,325</u>
Net Capital Assets Being Depreciated	<u>23,776,636</u>	<u>(451,371)</u>	<u>-</u>	<u>23,325,265</u>
Net Capital Assets for				
Governmental Activities	<u>\$ 24,853,077</u>	<u>\$ (371,388)</u>	<u>\$ -</u>	<u>\$ 24,481,689</u>

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2022**

In the Governmental activities section of the statement of activities, depreciation expenses was charged to the following governmental functions:

Regular Instruction	\$ 578,031
Operations and Maintenance	3,362
Transportation	<u>57,613</u>
Total	<u><u>\$ 639,006</u></u>

**NOTE 5 LONG-TERM DEBT**

The School District issued bonds to provide funding for the construction additions and improvements to existing facilities. Long-term debt obligations outstanding at year-end and changes in long-term debt are summarized as follows:

	Balance 7/1/2021	Additions	Retirements	Balance 6/30/2022	Due in One Year
General Obligation School Building Bonds, Series 2015	\$ 7,967,940	\$ -	\$ (479,926)	\$ 7,488,014	\$ 489,572
General Obligation School Building Bonds, Series 2014	785,000	-	(785,000)	-	-
Nedrose Building Authority Lease Revenue Bonds, Series 2015	3,015,000	-	(175,000)	2,840,000	180,000
General Obligation School Building Bonds, Series 2015A	2,395,000	-	(300,000)	2,095,000	-
General Obligation School Building Refunding Bonds, Series 2021	5,145,000	-	-	5,145,000	-
Compensated Absences	41,338	350	-	41,688	-
Net Pension Liability	<u>6,639,906</u>	<u>2,160,401</u>	<u>(3,994,251)</u>	<u>4,806,056</u>	<u>-</u>
Total	<u><u>\$ 25,989,184</u></u>	<u><u>\$ 2,160,751</u></u>	<u><u>\$ (5,734,177)</u></u>	<u><u>\$ 22,415,758</u></u>	<u><u>\$ 669,572</u></u>



**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2022**

Debt payable at June 30, 2022 is comprised of the following individual issues:

General Obligation School Building Bonds, Series 2015

\$10,000,000 issued

Bond calls for semi-annually payments of \$394,585.24 from April 1, 2016 through October 1, 2035

Effective interest rate at 2%.

General Obligation School Building Bonds, Series 2014

\$8,000,000 issued

Bond calls for annual principal payments of \$345,000 to \$520,000 from August 1, 2015 through August 1, 2033

Effective interest rate of 2% to 3.625%.

Nedrose Building Authority Lease Revenue Bonds, Series 2015

\$3,945,000 Issued

Bonds Calls for annual principal payments of \$130,000 to \$265,000 from May 1, 2016 through May 1, 2035

Effective Interest rate of 3% to 4%.

General Obligation School Building Bonds , Series 2015A

\$3,070,000 issued

Bonds calls for annual principal payments of \$115,000 to \$200,000 from August 1, 2016 through August 1, 2034

Effective interest rate of 2% to 3.5%.

General Obligation Building Refunding Bond, Series 2021

\$5,145,000 was issued

Bond Calls for annual principal payment of \$455,000 to \$485,000 from August 1, 2023 through August 1, 2033

Effective Interest rate of .250% to 1.550%.

Interest expense was \$495,724 for the year ended June 30, 2022.

Annual debt service requirements to maturity for the long-term debt are as follows:

General Obligation School Building Bonds, Series 2015			
Fiscal year	Principal	Interest	Total
2023	\$ 489,572	\$ 147,704	\$ 637,276
2024	499,413	137,864	637,277
2025	509,451	127,825	637,276
2026	519,691	117,585	637,276
2027	530,137	107,140	637,277
2028-2032	2,814,869	371,514	3,186,383
2033-2035	2,124,881	86,609	2,211,490
	\$ 7,488,014	\$ 1,096,241	\$ 8,584,255

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2022**

Nedrose Building Authority Lease Revenue Bond, Series 2015

Fiscal year	Principal	Interest	Total
2023	\$ 180,000	\$ 97,376	\$ 277,376
2024	185,000	91,974	276,974
2025	190,000	86,424	276,424
2026	195,000	80,724	275,724
2027	205,000	74,874	279,874
2028-2032	1,120,000	271,558	1,391,558
2033-2035	765,000	61,388	826,388
	<u>\$ 2,840,000</u>	<u>\$ 764,318</u>	<u>\$ 3,604,318</u>

General Obligation School Building Bonds, Series 2015A

Fiscal year	Principal	Interest	Total
2023	\$ -	\$ 27,956	\$ 27,956
2024	155,000	54,362	209,362
2025	155,000	51,262	206,262
2026	160,000	48,112	208,112
2027	165,000	44,862	209,862
2028-2032	1,065,000	177,073	1,242,073
2033-2034	395,000	13,913	408,913
	<u>\$ 2,095,000</u>	<u>\$ 417,540</u>	<u>\$ 2,512,540</u>

General Obligation School Building Bonds, Series 2021

Fiscal year	Principal	Interest	Total
2023	\$ -	\$ 47,704	\$ 47,704
2024	460,000	47,129	507,129
2025	460,000	45,749	505,749
2026	455,000	44,035	499,035
2027	460,000	41,746	501,746
2028-2032	2,340,000	144,688	2,484,688
2033	970,000	14,793	984,793
	<u>\$ 5,145,000</u>	<u>\$ 385,844</u>	<u>\$ 5,530,844</u>

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2022**

**NOTE 6 FUND BALANCE**

**CLASSIFICATIONS**

At June 30, 2022, a summary of the governmental fund balance classifications are as follows:

	General Fund	Capital Projects	Debt Service	Food Service	Total
Restricted for:					
Capital Projects	\$ -	\$ 517,198	\$ -	\$ -	\$ 517,198
Student Activities	142,381	-	-	-	142,381
Total Restricted	<u>142,381</u>	<u>517,198</u>	<u>-</u>	<u>-</u>	<u>659,579</u>
Assigned for:					
Food Service	-	-	-	48,363	48,363
Unassigned:	<u>2,517,502</u>	<u>-</u>	<u>(131,029)</u>	<u>-</u>	<u>2,386,473</u>
Total	<u>\$ 2,659,883</u>	<u>\$ 517,198</u>	<u>\$ (131,029)</u>	<u>\$ 48,363</u>	<u>\$ 3,094,415</u>

Restricted fund balance reflects resources restricted for statutorily defined purpose not accounted for in a separate fund. At June 30, 2022, there were the following accounts:

Restricted for Capital Projects:

This account represents funds held by the School District available to provide future capital outlay.

Restricted for Debt Service:

This account represents funds held by the School District available to service long-term debt.

Restricted for Student Activities:

This account represents funds held by the School District available to service various student activities.

Assigned fund balance reflects resources that can be used only for the specific purpose determined by formal action of the School District's Board of Education. At June 30, 2022, there were following accounts:

Assigned for Food Service:

This account represents funds held by the School District available to service hot lunch.

**NOTE 7 DEFINED BENEFIT PENSION PLANS – STATEWIDE**

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

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2022

Disclosures relating to these plans follow:

**North Dakota Teacher's Fund For Retirement**

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

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

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

***Pension Benefits***

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

***Tier 1 Grandfathered***

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

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

***Tier 1 Non-grandfathered***

A Tier 1 non-grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2022**

retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

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

*Tier 2*

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

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

**Death and Disability Benefits**

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

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

**Member and Employer Contributions**

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

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2022**

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 \$4,806,056 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2021, the Employer's proportion was 0.456132 percent which was an increase of 0.000223 from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Employer recognized pension expense of \$563,880. 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 economic experience	\$ 33,391	\$ (202,684)
Changes in actuarial assumptions	168,811	-
Difference between projected and actual investment earnings	-	(1,408,244)
Changes in proportion	908,464	(39,536)
Contributions paid to TFFR subsequent to the measurement date	478,495	-
Total	<u>\$ 1,589,161</u>	<u>\$ (1,650,464)</u>

\$478,495 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:

<u>Year ending June 30:</u>	<u>Pension Expense Amount</u>
2023	\$ 50,112
2024	(166,015)
2025	(220,852)
2026	(348,776)
2027	56,806
Thereafter	88,925

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
**NOTES TO THE BASIC 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 14.50%, varying by service, including inflation and productivity
Investment rate of return	7.25%, net of investment expenses
Cost-of-living adjustments	None

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

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

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

The long-term expected rate of return on TFFR investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the TFFR target asset allocation as of July 1, 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	55.00%	6.90%
Global Fixed Income	26.00%	0.70%
Global Real Assets	18.00%	4.80%
Cash Equivalents	1.00%	-1.00%

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2022**

**Discount Rate**

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

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

The following presents the net pension liability of the TFFR employers calculated using the discount rate of 7.25% as of June 30, 2021, as well as what the 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 or 1-percentage-point higher than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	6.25%	7.25%	8.25%
School's proportionate share of the TFFR net pension liability:	\$ 7,216,472	\$ 4,806,056	\$ 2,804,451

**Pension Plan Fiduciary Net Position**

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

**North Dakota Public Employees' Retirement System**

During the year ended June 30, 2022, the District entered into the North Dakota Public Employees Retirement System plan for employees not covered by TFFR. Actuarial calculations of net pension plan liabilities and deferred inflows and outflows will not be calculated until the fiscal year ending June 30, 2023.

\$57,554 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.



**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2022**

**NOTE 8      DEFINED BENEFIT OPEB PLAN**

**North Dakota Public Employees' Retirement System Defined Benefit OPEB Plan**

During the year ended June 30, 2022, the District entered into the North Dakota Public Employees Retirement System OPEB plan. Actuarial calculations of net OPEB plan liabilities and deferred inflows and outflows will not be calculated until the fiscal year ending June 30, 2023.

\$1,301 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 pension liability in the year ending June 30, 2023.

**NOTE 9      RISK MANAGEMENT**

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

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

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

The District also participates in the North Dakota Worker's Compensation Bureau and purchases commercial insurance for employee health and accident insurance.

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

**NOTE 10    INTERFUND TRANSFERS AND BALANCES**

Interfund transfers for the fiscal year ended June 30, 2022 were as follows:

Transfers In	Transfers Out	Amount
Food Service Fund	General Fund	\$      25,000

Interfund transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization; to segregate and to return money to the fund from which it was originally provided once a project is complete.

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2022**

Interfund balances as of June 30, 2022 were as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 184,880	\$ -
Debt Service Fund	-	184,880
	\$ 184,880	\$ 184,880

Interfund balances are due to cash shortfalls in the Debt Service Fund covered by the General Fund.

**NOTE 11 CONTINGENT LIABILITIES**

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2022, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**NOTE 12 NON-MONETARY TRANSACTIONS**

The District receives food commodities from the federal government to subsidize its hot lunch program. The market value of the commodities received for the year ended June 30, 2022 was \$32,419.

**NOTE 13 PROPERTY TAX ABATEMENTS**

Ward County and certain political subdivisions within the county can negotiate property tax abatement agreements with the individuals and various commercial entities/businesses. These counties and political subdivisions within have the following types of tax abatement agreements with various individuals and commercial entities at June 30, 2022.

The District will state individually the parties whom received a benefit of the reduction in taxes of 20% or greater when compared to the total reduction of taxes for all tax abatement programs.

**Public Charity Exemption**

Public Charities are eligible for property tax incentives if they meet state requirements (NDCC 57-02-08(8)) and the guidelines stated below. The following criteria are only guidelines.

All buildings belonging to institutions of public charity, including public hospitals and nursing homes licensed pursuant to section 23-16-01 under the control of religious or charitable institutions, used wholly or in part for public charity, together with the land actually occupied by such institutions not leased or otherwise used with a view to profit. The exemption provided by this subsection includes any dormitory, dwelling, or residential-type structure, together with

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2022

necessary land on which such structure is located, owned by a religious or charitable organization recognized as tax exempt under section 501(c)(3) of the United States Internal Revenue Code which is occupied by members of said organization who are subject to a religious vow of poverty and devote and donate substantially all of their time to the religious or charitable activities of the owner.

Property is exempt if the qualified facility is used wholly or in part for public charity, together with the land occupied by such institutions not leased or otherwise used with a view to profit.

As a result of agreements made by the counties and cities within, the School District had a reduction in taxes as noted.

Reduction in Taxes – Due to Agreements with Other Entities  
Total program reduction in taxes – \$53,877

**NOTE 14 NEW PRONOUNCEMENTS**

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

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

GASB Statement No. 96, *Subscription-Based Information Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2022

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.
- 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.

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2022

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 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

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2022**

compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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

**NOTE 15    SUBSEQUENT EVENTS**

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through January 17, 2023, which is the date these financial statements were available to be issued.

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Property Tax Levies	\$ 1,493,300	\$ 1,493,300	\$ 1,492,509	\$ (791)
Other Local & County Revenues	166,387	166,387	319,384	152,997
Revenue From State Sources	5,324,430	5,324,430	5,505,448	181,018
Revenue From Federal Sources	1,155,656	1,155,656	1,259,617	103,961
Interest	9,500	9,500	7,057	(2,443)
<b>TOTAL REVENUES</b>	<u>8,149,273</u>	<u>8,149,273</u>	<u>8,584,015</u>	<u>434,742</u>
<b>EXPENDITURES</b>				
Business Support Services	301,963	301,963	346,004	44,041
Instructional Support Services	167,605	167,605	135,651	(31,954)
Administration	487,130	487,130	458,006	(29,124)
Operations and Maintenance	679,012	679,012	682,805	3,793
Transportation	438,440	438,440	316,023	(122,417)
Regular Instruction	5,276,118	5,276,118	4,945,184	(330,934)
Special Education	376,845	376,845	250,257	(126,588)
Extra-Curricular Activities	374,660	374,660	528,773	154,113
Capital Outlay	-	-	170,820	170,820
<b>TOTAL EXPENDITURES</b>	<u>8,101,773</u>	<u>8,101,773</u>	<u>7,833,523</u>	<u>(268,250)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>47,500</u>	<u>47,500</u>	<u>750,492</u>	<u>702,992</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	<u>(45,000)</u>	<u>(45,000)</u>	<u>(25,000)</u>	<u>20,000</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(45,000)</u>	<u>(45,000)</u>	<u>(25,000)</u>	<u>20,000</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	<u>2,500</u>	<u>2,500</u>	<u>725,492</u>	<u>722,992</u>
Fund Balance - Beginning of Year	<u>1,934,391</u>	<u>1,934,391</u>	<u>1,934,391</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 1,936,891</u>	<u>\$ 1,936,891</u>	<u>\$ 2,659,883</u>	<u>\$ 722,992</u>

See Notes to the Required Supplementary Information

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
**BUDGETARY COMPARISON SCHEDULE FOR THE FOOD SERVICE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
REVENUES				
Other Local & County Revenues	\$ 18,000	\$ 18,000	\$ 629	\$ (17,371)
Revenue From State Sources	-	-	997	997
Revenue From Federal Sources	370,920	370,920	486,841	115,921
Interest	-	-	14	14
TOTAL REVENUES	<u>388,920</u>	<u>388,920</u>	<u>488,481</u>	<u>99,561</u>
EXPENDITURES				
Food Service	<u>433,920</u>	<u>433,920</u>	<u>509,011</u>	<u>75,091</u>
TOTAL EXPENDITURES	<u>433,920</u>	<u>433,920</u>	<u>509,011</u>	<u>75,091</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(45,000)</u>	<u>(45,000)</u>	<u>(20,530)</u>	<u>24,470</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>45,000</u>	<u>45,000</u>	<u>25,000</u>	<u>(20,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>45,000</u>	<u>45,000</u>	<u>25,000</u>	<u>(20,000)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	<u>-</u>	<u>-</u>	<u>4,470</u>	<u>4,470</u>
Fund Balance - Beginning of Year	<u>43,893</u>	<u>43,893</u>	<u>43,893</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 43,893</u>	<u>\$ 43,893</u>	<u>\$ 48,363</u>	<u>\$ 4,470</u>

See Notes to the Required Supplementary Information



**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
**SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE TFFR PENSION PLANS**  
**LAST TEN YEARS (PRESENTED PROSPECTIVELY)**

**Teachers Fund for Retirement**

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2022	\$ 478,495	\$ (478,495)	-	\$ 3,756,629	12.74%
2021	448,214	(448,214)	-	3,515,407	12.75%
2020	403,610	(403,610)	-	3,165,545	12.75%
2019	391,695	(391,695)	-	3,072,119	12.75%
2018	351,354	(351,354)	-	2,755,718	12.75%
2017	329,043	(329,043)	-	2,580,732	12.75%
2016	312,999	(312,999)	-	2,454,896	12.75%
2015	179,306	(179,306)	-	1,406,389	12.75%

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

See Notes to the Required Supplementary Information

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**LAST TEN YEARS (PRESENTED PROSPECTIVELY)**

For the Fiscal Year Ended June 30*	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.456132%	\$ 4,806,056	\$ 3,515,406	136.71%	75.70%
2020	0.433838%	6,639,906	3,165,545	209.76%	63.40%
2019	0.437918%	6,031,238	3,072,119	196.32%	65.50%
2018	0.405366%	5,402,959	2,755,718	196.06%	65.50%
2017	0.382347%	5,251,634	2,580,732	203.49%	63.20%
2016	0.377836%	5,535,523	2,454,896	225.49%	59.20%
2015	0.228642%	2,990,306	1,406,389	212.62%	62.10%
2014	0.224405%	2,351,367	1,301,671	180.64%	66.60%

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

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

See Notes to the Required Supplementary Information

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2022

**NOTE 1 – BUDGETARY COMPARISON**

**Budgets and Budgetary Accounting:**

The District's Board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School District, annually on or before the last day of July must levy taxes. The governing body of the School District may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year. Taxes for School District purposes must be based upon an itemized budget statement which must show the complete expenditure by program of the District for the current fiscal year and the sources of the revenue from which it is to be financed. The School Board, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the District and to provide a sinking fund to pay and discharge the principal thereon at maturity. During the current year in the General Fund, budgeted expenditures exceeded actual expenditures by \$268,250.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The administration prepares the District's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.
2. The Board reviews the budget, may make revisions, and adopts the final budget before August tenth of each year. The budget is then filed with the county auditor by August tenth of each year.
3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after August tenth of each year. The budget amounts shown in the financial statements are the final authorized amounts.
4. All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts to each respective fund and is available for future appropriation.

**NOTE 2 – EXPENDITURES IN EXCESS OF BUDGET**

Funds sufficient to provide for the excess expenditures of \$75,091 in the food service fund were made available from other functions within the fund, and the excess has no impact on the financial results of the District.

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED  
JUNE 30, 2022

**NOTE 3 – CHANGES OF ASSUMPTIONS**

**TFFR**

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

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

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

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

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
**SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**  
**JUNE 30, 2022**

<u>AL #</u>	<u>Description</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
<u>Department of Education</u>			
84.358A	Rural Education Achievement Program	N/A	\$ 17,981
Passed Through the North Dakota State Department of Public Instruction			
84.010	Chapter 1/TITLE I-Compensatory	F84010	319,829
84.367	Title IIA - Teacher Principal Quality Training	F84367	26,600
84.424A	Title IV - Student Support and Academic Enrichment	F84424A	31,932
84.425D	COVID-19 Elementary and Scondary School Emergency Relief Fund	F84425D	393,464
84.425U	COVID-19 Elementary and Scondary School Emergency Relief Fund	F84425U	469,811
	Total 84.425		<u>863,275</u>
	Total Passed through ND DPI		<u>1,241,636</u>
	Total Department of Education		<u>1,259,617</u>
<u>Department of Agriculture</u>			
Passed Through the North Dakota State Department of Public Instruction			
	Child Nutrition Cluster:		
10.553	COVID-19 School Breakfast Program	F10553	78,971
10.555	COVID-19 National School Lunch Program	F10555	369,889
10.555	CNP Emergency Costs	F10555C	2,075
10.555	Food Distribution-Non Cash	F10555	32,419
	Total Cluster		<u>483,354</u>
10.560	SAE Food Nutrition	F10560	2,873
10.649	SNAP State and Local PEBT	F10649	614
	Total Department of Agriculture		<u>486,841</u>
	TOTAL		<u>\$ 1,746,458</u>

See Notes to Schedule of Expenditure of Federal Awards

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2022

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 2 – INDIRECT COST RATE**

Nedrose Public School District No. 4 has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 3 – BASIS OF PRESENTATION**

The Schedule includes the federal award activity of the Nedrose Public School District No. 4 under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

**NOTE 4 – PASS-THROUGH ENTITIES**

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

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

To the Board of Education  
Nedrose Public School District No. 4  
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 governmental activities and each major fund of the District as of and for the year ended June 30, 2022, and the related notes to the basic financial statements, which collectively comprise Nedrose Public School District No. 4's basic financial statements and have issued our report thereon dated January 17, 2023.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Nedrose Public School District No. 4's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-002, and 2022-003 that we consider to be material weaknesses.

## **Report on Compliance And Other Matters**

As part of obtaining reasonable assurance about whether Nedrose Public School District No. 4's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

## **The District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District'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 them.

## **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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

January 17, 2023



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

To the Board of Education  
Nedrose Public School District No. 4  
Minot, North Dakota

### Report on Compliance for Each Major Federal Program

#### *Opinion on Each Major Federal Program*

We have audited the Nedrose Public School District No. 4's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Nedrose Public School District No. 4's major federal programs for the year ended June 30, 2022. Nedrose Public School District No. 4's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Nedrose Public School District No. 4 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 Nedrose Public School District No. 4 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 Nedrose Public School District No. 4'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 Nedrose Public School District No. 4'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 Nedrose Public School District No. 4'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 Nedrose Public School District No. 4'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 Nedrose Public School District No. 4'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 Nedrose Public School District No. 4'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 Nedrose Public School District No. 4'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 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 over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be a material weakness, 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.**  
**GRAND FORKS, NORTH DAKOTA**

January 17, 2023

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
**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 that are not considered to be material weaknesses?	<u>          </u> yes	<u>    X    </u> no	
Noncompliance material to financial statements noted?	<u>          </u> yes	<u>    X    </u> no	

Federal Awards

Internal control over financial reporting:			
Material weakness(es) identified?	<u>          </u> yes	<u>    x    </u> no	
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u>          </u> yes	<u>    X    </u> no	

Type of auditor's report issued on compliance for major programs:		<u>Unmodified</u>	
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	

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program</u>
84.425	ESSER

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

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**Section II-Financial Statement Findings**

**2022-001: Segregation of Duties**

**Criteria**

To provide reasonable assurance that segregation of duties take place while also considering the size of the District.

**Condition:**

The District has one employee who is responsible for majority of accounting functions involved. The employee handles all income monies, prepares the receipts documents, prepares the deposits, issues all checks and distributes them, receives the bank statements and does the reconciliations. The employee also records the receipts and disbursements to the journals and maintains the general ledger. This increases the risk of material misstatement of the school's financial condition.

**Cause:**

There is one employee for multiple functions such as executing and recording transactions.

**Effects:**

Lack of segregation of duties leads to a limited degree of internal control.

**Recommendation:**

The district should separate the duties when it became feasible.

**Repeat Finding:**

This is a repeat finding of 2021-001.

**Management Response:**

The District has segregated the accounting duties in the most effective manner possible, given its limited staff. Due to cost constraints, there will be no further administrative employees added until it becomes cost effective.

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**2022-002: Preparation of the Financial Statements**

**Criteria**

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

**Condition**

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

**Cause**

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

**Effect**

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

**Recommendation**

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

**Repeat Finding:**

This is a repeat finding of 2021-002.

**Management's Response**

The District will continue to have the auditor prepare the financial statements.

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**2022-003: Proposition of Journal Entries**

**Criteria**

The organization 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 organization'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 organization'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.

**Repeat Finding:**

This is not a repeat finding.

**Management's Response**

The District will continue to have the auditor assist in proposing adjusting journal entries to properly reflect the financial statements in accordance with GAAP.

**Section III-Federal Award Findings and Questioned Costs**

There are no findings to report in this section.

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**2021-001: Segregation of Duties**

**Condition:**

The Nedrose Public School District No. 4, has one person responsible for most accounting functions.

**Criteria:**

There should be sufficient accounting personnel, so duties of employees are segregated. The segregation of duties would provide better control over the assets of the school.

**Effect:**

There is no segregation of duties as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and prepare financial statements. This increases the risk of misstatement of the school's financial condition.

**Recommendation:**

To mitigate the risk associate with the lack of segregation of duties, we recommend the district to separate the duties when it became feasible.

**Current Year Status:**

See current year finding 2022-001



**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS – CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2022

**2021-002: Preparation of the Financial Statements**

**Criteria**

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

**Condition**

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

**Cause**

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

**Effect**

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

**Recommendation**

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

**Current Year Status:**

See current year finding 2022-002.

**NEDROSE PUBLIC SCHOOL DISTRICT NO. 4**  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS – CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2022

**2021-003 – Allowable Costs/Cost Principles – 21.019 Coronavirus Relief Fund**

**Criteria**

Expenditures must be adequately documented and consistent with policies and procedures. All disbursement transactions should have proper written authorization supported with adequate documentation. Internal controls over payroll should be effectively designed and implemented to provide assurance of proper documentation, calculation, and authorization.

**Condition**

Out of fourteen payroll expenditures tested, two were missing approved timesheets.

**Cause**

Management failed to obtain supporting documentation for two stipend disbursements.

**Effect**

The lack of internal controls exposes the District to greater risk of fraudulent payroll disbursements.

**Recommendation**

We recommend the District review policies and procedures, especially over timesheets, to ensure all disbursements are properly approved and supported by appropriate documentation.

**Corrective Action Taken:**

The District rectified the issue and no problems were found during testing in the current year.

# Nedrose Public School District #4

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## School Board Members

James Vannett, President  
Holly Brekhus, Vice President  
Todd Awalt  
Robert Kraus  
Christopher Sutton



## Administration

Matt Norby, Superintendent  
Chelsey Raymond, Secondary Principal  
Alex Schmaltz, Elementary Principal  
Brock Zietz, Athletic Director  
Connie Marcellais, Business Manager

## **CORRECTIVE ACTION PLAN JUNE 30, 2022**

### **2022 – 001**

Contact Person:

Connie Marcellais (Business Manager), Matt Norby (Superintendent)

Planned Corrective Action:

The District will implement proper segregation of duties when it becomes cost effective.

Planned Completion Date:

Ongoing.

### **2022 – 002**

Contact Person:

Connie Marcellais (Business Manager), Matt Norby (Superintendent)

Planned Corrective Action Plan:

The District will implement when it becomes cost effective.

Planned Completion Date:

Ongoing.

### **2022 – 003**

Contact Person:

Connie Marcellais (Business Manager), Matt Norby (Superintendent)

Planned Corrective Action Plan:

The District will implement when it becomes cost effective.

Planned Completion Date:

Ongoing.