

**PARK RIVER AREA SCHOOL
DISTRICT NO. 8
PARK RIVER, NORTH DAKOTA**

**FINANCIAL STATEMENTS
For the Year Ended
June 30, 2022**

**Hurt, Mortenson & Rygh
Certified Public Accountants
1203 Park Street East
Park River, North Dakota 58270**

PARK RIVER AREA SCHOOL DISTRICT NO. 8

Park River, North Dakota

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PARK RIVER AREA SCHOOL DISTRICT NO. 8

Park River, North Dakota

LIST OF OFFICIALS

Year Ended June 30, 2022

Bill Bata	President
Bradley Brummond	Vice President
Jared Carlson	Board Member
Kelly Houser	Board Member
Donny Porter	Board Member
Louis Kadlec	Board Member
Erika Miller	Board Member
Aaron Schramm	Superintendent
Roberta Hinkel	Business Manager



CERTIFIED PUBLIC ACCOUNTANTS

Wally Rygh, CPA
Lynda J. Hurtt, CPA
Rachel Almen, CPA
Patty Dahlen, Partner

INDEPENDENT AUDITOR'S REPORT

To the School Board
Park River Area School District No. 8
Park River, North Dakota

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Park River Area School District No. 8 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, each major fund and the aggregate remaining fund information of the Park River Area School District No. 8, Park River, North Dakota as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Park River Area School District No. 8 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.

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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 Park River Area School District No. 8'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 general 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 Park River Area School District No. 8, Park River, North Dakota'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 Park River Area School District No. 8, Park River, North Dakota'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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial

reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, the Schedule of the District's Share of Net Pension Liability of the ND Teachers' Fund for Retirement, and the Schedule of the District's Contributions to the ND Teachers' Fund for Retirement as indicated in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Park River Area School District No. 8, Park River, North Dakota's basic financial statements. The accompanying Detailed Statement of Revenues, Expenditures, and Changes in Fund Balance – General Fund and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of revenues, expenditures and changes in fund balance – General Fund and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2023, on our consideration of the Park River Area School District No. 8, Park River, North Dakota'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 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 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 Park River Area School District No. 8, Park River, North Dakota's internal control over financial reporting and compliance.



Hurtt, Mortenson & Rygh
Certified Public Accountants
March 10, 2023

BASIC FINANCIAL STATEMENTS

PARK RIVER AREA SCHOOL DISTRICT NO. 8

Park River, North Dakota
Statement of Net Position
June 30, 2022

	Governmental Activities
ASSETS:	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 2,159,106
Cash Restricted for Debt Service	1,281,939
Accounts Receivable from other Governments	440,428
Taxes Receivable	101,163
Prepaid Expenses	2,235
Total Current Assets	3,984,871
NON-CURRENT ASSETS	
Capital Assets Not Being Depreciated	25,165
Capital Assets net of Accumulated Depreciation	14,199,647
Total Non-Current Assets	14,224,812
Total Assets	18,209,682
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows - Pension	1,170,510
Total Deferred Outflows of Resources	1,170,510
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 19,380,192</u>
LIABILITIES:	
CURRENT LIABILITIES	
Accounts Payable	\$ 98,815
Accrued Salaries and Benefits	293,100
Amounts Payable from Current Restricted Assets:	
Interest Payable	86,107
Current Portion of Non-Current Liabilities	518,094
Total Current Liabilities	996,116
NON CURRENT LIABILITIES	
Bonds Payable	8,492,747
Financed Purchase payable	211,187
Less Amount of Debt Due Within One Year	(518,094)
Sick Leave Payable	26,172
Net Pension Liability	3,649,764
Total Non-Current Liabilities	11,861,776
Total Liabilities	12,857,892
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows - Pension	2,438,374
Total Deferred Inflows of Resources	2,438,374
TOTAL LIABILITIES AND DEFERRED INFLOWS	15,296,266
NET POSITION:	
Net Investment in Capital Assets	5,520,878
Restricted for:	
Capital Projects	330,469
Debt Service	1,241,883
Special Reserve	234,129
Other	294,111
Unrestricted	(3,537,544)
Total Net Position	4,083,926
TOTAL LIABILITIES AND NET POSITION	<u>\$ 19,380,192</u>

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

PARK RIVER AREA SCHOOL DISTRICT NO. 8

Park River, North Dakota

Statement of Activities

Year Ended June 30, 2022

Functions/Programs:	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
			Grants and	Grants and	Changes in
		Services	Contributions	Contributions	Net Position
					Total
					Governmental
					Activities
Governmental Activities:					
Regular Instruction	\$ 1,735,287	\$ -	\$ -	\$ -	\$ (1,735,287)
Special Education	773,276	-	-	-	(773,276)
Career and Technical Education	259,687	-	6,049	-	(253,638)
Federal Programs	659,257	-	971,852	-	312,595
Other Programs & Services	345,523	169,037	-	-	(176,485)
Student Support Services:					
Counseling Services	164,246	111,865	-	-	(52,381)
Instructional Staff	127,012	-	-	-	(127,012)
General Administration	391,701	-	-	-	(391,701)
School Administration	226,674	-	-	-	(226,674)
Business Office	72,978	-	-	-	(72,978)
Operation and Maintenance	954,151	-	-	-	(954,151)
Transportation	270,787	-	119,726	-	(151,061)
Central Support Services	40,602	-	-	-	(40,602)
Food Service	334,468	19,911	383,457	-	68,900
Interest & Fees on Long Term Debt	192,355	-	-	-	(192,355)
Total Primary Government	\$ 6,548,003	\$ 300,813	\$ 1,481,084	\$ -	\$ (4,766,106)
General Revenues:					
Property Taxes Levies for:					
General Purposes					1,033,657
Building Fund					145,490
Special Reserve					43,486
Sinking & Interest					602,971
Federal & State Aid not restricted to special purposes					3,890,742
Gain (Loss) on Disposal of Capital Assets					1,400
Other Revenues					24,518
Total General Revenues					5,742,264
Change in Net Position					976,158
Net Position - July 1					2,881,498
Restatement					226,270
Net Position - July 1, as Restated					3,107,768
Net Position - June 30					\$ 4,083,926

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

PARK RIVER AREA SCHOOL DISTRICT NO. 8

Park River, North Dakota

Balance Sheet -Governmental Funds

June 30, 2022

	General	Bldg & Cap Projects Fund	Sinking Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 1,194,915	\$ 327,228	\$ 6,622	\$ 630,341	\$ 2,159,106
Cash Restricted for Debt Service	-	-	1,281,939	-	1,281,939
Receivables from Other Governments	408,241	1,046	4,338	26,803	440,428
Taxes Receivable	55,088	8,454	35,092	2,529	101,163
Prepaid Expenses	2,235	-	-	-	2,235
Total Assets	\$ 1,660,479	\$ 336,728	\$ 1,327,991	\$ 659,673	\$ 3,984,871
LIABILITIES AND FUND BALANCE:					
LIABILITIES					
Accounts Payable	\$ 61,618	\$ 6,259	\$ -	\$ 30,938	\$ 98,815
Accrued Salaries and Benefits	285,876	-	-	7,224	293,100
Interest Payable	-	-	86,107	-	86,107
Total Liabilities	347,494	6,259	86,107	38,162	478,022
DEFERRED INFLOWS OF RESOURCES:					
Uncollected Taxes Receivable	55,088	8,454	35,092	2,529	101,163
Other Deferred Revenue	26,535	-	-	-	26,535
Total Liabilities & Deferred Inflows of Resources	429,117	14,713	121,199	40,691	605,720
Fund Balances:					
Restricted for:					
Debt service	-	-	1,206,791	-	1,206,791
Capital projects	-	322,015	-	-	322,015
Special reserve fund	-	-	-	231,600	231,600
Other purposes	48,995	-	-	245,116	294,111
Committed to:					
Food Service	-	-	-	142,266	142,266
Unassigned	1,182,367	-	-	-	1,182,367
Total Fund Balance	1,231,362	322,015	1,206,792	618,982	3,379,150
Total Liabilities & Fund Balance	\$ 1,660,479	\$ 336,728	\$ 1,327,991	\$ 659,673	\$ 3,984,871

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

PARK RIVER AREA SCHOOL DISTRICT NO. 8
Park River, North Dakota
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2022

Total *Fund Balance* for Governmental Funds \$ 3,379,150

Total *net position* reported for governmental activities in the statement of net position is different because:

Sick Leave Payable (26,172)

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental

Cost of Capital Assets	\$ 18,181,778	
Less: Accumulated Depreciation	<u>(3,956,966)</u>	
Net Capital Assets		14,224,812

Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenues in the funds 127,698

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long term, are reported in the statement of net position.

Total Bonds Payable		(8,492,747)
Financed Purchases Payable		(211,187)
Net Pension Liability		(3,649,764)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred outflows related to pensions		1,170,510
Deferred inflows related to pensions		(2,438,374)

Total <i>Net Position</i> of Governmental Activities		<u><u>\$ 4,083,926</u></u>
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The notes to the financial statements are an integral part of this statement.

PARK RIVER AREA SCHOOL DISTRICT NO. 8

Park River, North Dakota

Statement of Revenues, Expenses, and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2022

	General	Bldg & Cap Projects Fund	Sinking Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local Sources	1,171,871	146,061	606,958	232,970	2,157,860
State Sources	4,016,517	-	-	566	4,017,083
Federal Sources	971,852	-	-	382,891	1,354,743
Total Revenues	6,160,240	146,061	606,958	616,427	7,529,686
Expenditures:					
Regular Education Programs	1,857,013	-	-	-	1,857,013
Special Programs	814,095	-	-	-	814,095
Career and Technical Education	267,882	-	-	-	267,882
Federal Programs	695,344	-	-	-	695,344
Student Support Services					
Counseling Services	167,336				167,336
Instructional Staff	131,937				131,937
General Administration	404,156	-	-	-	404,156
School Administration	239,070	-	-	-	239,070
Business Office	76,012	-	-	-	76,012
Operation and Maintenance	460,701	-	-	-	460,701
Transportation	209,909	-	-	-	209,909
Central Support Services	40,602	-	-	-	40,602
Other Programs	211,987	-	-	150,191	362,178
Food Service	-	-	-	334,024	334,024
Capital Outlay:	347,763	25,165	-	-	372,927
Debt Service:					
Principal Payments	-	-	509,174	-	509,174
Interest Payments	-	-	192,355	-	192,355
Total Expenditures	5,923,806	25,165	701,529	484,215	7,134,716
Excess Revenues over (under) Expenditures	236,434	120,896	(94,571)	132,212	394,970
Other Financing Sources(Uses):					
Sale of Fixed Assets	400	-	-	1,000	1,400
Interfund Transfers In	46,933	-	164,436	-	211,369
Interfund Transfers (Out)	(100,352)	(64,084)	(11,362)	(35,572)	(211,370)
Net Change in Fund Balances	183,415	56,812	58,502	97,640	396,369
Fund balance - July 1	1,047,948	265,203	1,148,289	295,072	2,756,512
Restatements	-	-	-	226,270	226,270
Fund balance - June 30	\$ 1,231,363	\$ 322,015	\$ 1,206,791	\$ 618,982	\$ 3,379,150

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

PARK RIVER AREA SCHOOL DISTRICT NO. 8
Park River, North Dakota
Reconciliation of the Statement of Revenues, Expenses, and Changes in Fund Balances to the
Statement of Activities - All Governmental Fund Types
Year Ended June 30, 2022

Net Change in *Fund Balance* - Total Governmental Funds \$ 396,369

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenses. However, in the statement of activities assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Asset Additions	372,928	
Current Year Depreciation Expense	<u>(573,051)</u>	(200,123)

Governmental funds expense sick pay as incurred. However, in the statement of activities, sick pay is expensed when the liability is deemed measurable. This is the amount the accrued sick leave liability decreased during the year. 2,918

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This is the increase (decrease) in taxes receivable from the prior year. 19,609

Governmental funds report debt principle payments as an expense. However in the statement of activities debt principle is not expensed nor is the receipt of borrowed funds treated as income. This is the amount by which debt repayment exceeded debt proceeds:

Repayment of Long-Term Debt	<u>509,174</u>	509,174
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Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

District pension contributions	340,785	
Cost of benefits earned net of employee contributions	<u>(92,576)</u>	248,209

Change in <i>Net Position</i> of Governmental Activities		<u><u>\$ 976,158</u></u>
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The notes to the financial statements are an integral part of this statement.

PARK RIVER AREA SCHOOL DISTRICT NO. 8
Park River, North Dakota
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements have been prepared in accordance with generally accepted accounting principles (*GAAP*) as applied to government units in the United States of America. The *Governmental Accounting Standards Board (GASB)* is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

The District's Board of Education is the level of government, which has financial accountability, responsibility and control over all activities related to the public school education in the District's boundaries. The Board receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined by the related Governmental Accounting Standards Board Statement 14, since the Board members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operation and primary accountability for fiscal matters. In addition, there are no component units as defined in Governmental Accounting Standards Board Statement 14, which are included in the District's reporting entity.

The District's financial statements include all of the District's operations. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from Park River Area School District No. 8.

B. Basis of Presentation

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

Government-wide Statements: The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Net Position presents the financial condition of the governmental activities of the District at year end. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct Expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to students or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues, as are internally dedicated resources.

Governmental Fund Financial Statements: Separate financial statements are provided for governmental funds including fiduciary funds. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, reserves, fund equity, revenues and expenditures, as appropriate. Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following governmental funds:

GOVERNMENTAL FUND TYPES

General Fund (a major governmental fund) – The general fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from this fund.

Special Reserve Fund – The District may levy a tax sufficient to establish, maintain or replenish the special revenue fund for the use and benefit of the school district.

Building Fund (a major governmental fund) - This fund has its own mill levy dedicated to major construction projects. Levy funds can also be used for property insurance premiums covering school district property.

Sinking Funds (a major governmental fund) – Sinking funds are used to accumulate revenues dedicated to debt service and to retire corresponding debt issues as the interest and principal come due.

Food Service Fund – This fund is used to record financial transactions related to food service operations. The fund is financed by user charges and grants.

Student Activities Funds – This fund is used to account for assets held by the school district for student body groups.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. An exception to this is federal and state grants collected on a reimbursement basis, which are recognized as revenue when reimbursable expenditures are made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Since the fund level statements are presented using a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented following the fund level statement that summarizes the adjustments necessary to convert the fund level statements into the government-wide presentations.

D. Cash and Cash Equivalents

Cash includes amounts in demand deposits, money market accounts and certificates of deposit with maturity of three months or less. State law requires district funds to be deposited in a financial institution situated and doing business within this state.

E. Capital Assets

Capital assets, which include land, buildings and improvements and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects and constructed. Buildings & improvements and furniture & equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	40
Buses	10
Furniture & equipment	10
Vehicles	5
Computer & electronic equipment	5

F. Compensated Absences

A teacher is allowed sick leave at the rate of 10 days for each year employed by the school district. Teachers who began their employment after July 1, 2000 are allowed to accumulate unused sick leave up to 90 days. Teachers who began their employment before July 1, 2000 may accumulate up to 180 days of sick leave. The district does not pay unused sick leave upon termination of employment.

Teachers are also allowed 3 personal days per year and may accumulate up to 5 personal days. Teachers who accumulate more than 5 days may be compensated \$200 for each unused personal day that could not be accumulated. Compensation for all earned and available personal leave is paid upon termination of employment with the district.

G. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of fund net position.

In the fund financial statements, governmental fund types recognize long-term debt as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

H. Deferred Outflows and Inflows of Resources

Deferred Outflows of resources on the Statement of Net Position represent consumption of resources applicable to future periods and so will not be recognized as an expense until then. The District's deferred outflows of resources reported on the statement of net position are related to defined benefit pension plans (TFFR and NDPERS) and other post-employment benefits (RHIC). The amount represents actuarial differences within the pension plans as well as contributions to the plans made after the measurement date.

Deferred Inflows of resources on the Statement of Net Position represent acquisition of resources applicable to future periods and so will not be recognized as revenue until that time. The District's deferred inflow of resources on the Statement of Net Position are related to defined benefit pension plans (TFFR and NDPERS) and other post-employment benefits (RHIC). The amount represents actuarial differences within the pension plans.

Deferred inflows of resources on the governmental funds balance sheet consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. The district recognizes uncollected taxes receivable, which are not expected to be collected within 60 days after year end, as deferred inflows of resources.

I. Net Position/Fund Balance

Government-wide Financial Statements

Equity is classified in the government-wide financial statements as net position and displayed in three components:

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statement

Equity is classified in the governmental funds financial statements as fund balance and displayed in five components:

Non-spendable fund balance – This category includes fund balance amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

Restricted fund balance – This category includes net fund resources that are subject to external constraints that have been placed on the use of resources either (a) imposed by creditors, grantors, contributors, or laws regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – This category includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, the School Board. The commitment can only be removed through the same action. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance – This category includes Governmental Fund balance that the district intends to be used for a specific purpose but are neither restricted nor committed. This intent is expressed by written approval of the District’s administration comprised of the School Board.

Unassigned fund balance – This category included the residual balances in the governmental fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purpose within the General Fund.

J. Restricted Resources

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned resources are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

K. Interfund Transactions

Quasi-external transactions are accounted for as receipts or disbursements. Transactions that constitute reimbursements to a fund for receipts/disbursements initially made from it that are properly applicable to another fund, are recorded as disbursements in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. Use of Estimates in Preparing Financial Statements

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

M. Memorandum Only - Total Columns

Total columns to the financial statements are captioned "*memorandum only*" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 LEGAL COMPLIANCE – BUDGETS

Budget Amendments

The District's governing board approved the following amendments to the District's budget:

<u>Budget Amendments:</u>	<u>Original Budget</u>	<u>Amendment</u>	<u>Amended Budget</u>
	<u>Revenues</u>		
Major Funds:			
General Fund	6,090,866	25,807	6,116,673
	<u>Expenditures</u>		
Major Funds:			
General Fund	5,999,341	510,077	6,509,418
Non Major Funds			
Food Service Fund	306,900	29,100	336,000

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

In accordance with North Dakota statutes, the District maintains deposits in financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or secured with a pledge of securities equal to 110% of the uninsured balance.

State statutes authorize the District to invest in:

- a) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the Treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress,
- b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above,
- c) Certificates of Deposit fully insured by the federal deposit insurance corporation or pledge of governmental securities,
- d) Obligations of the state.

B. Investments

Concentration of credit risk – The risk of loss due to the magnitude of investments in a single issuer. The District only invests in Certificates of Deposit wherein the issuer collateralizes the certificate with governmental securities.

Interest rate risk – The risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District only invests in Certificates of Deposit which are always purchased and redeemable at face value.

At year ended June 30, 2022, the District's carrying amount of deposits totaled \$3,441,357 and the bank balances totaled \$3,603,716. Of the bank balances, \$668,471 was covered by Federal Depository Insurance. The remaining bank balances totaling \$2,935,245 were collateralized with securities held by the pledging financial institution's agent in the government's name.

NOTE 4 CAPITAL ASSETS

Capital Asset activity for the Year Ended June 30, 2022 was as follows:

	<u>July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2022</u>
Capital Assets, not being depreciated:				
Land				
Construction in Progress	\$ -	\$ 25,165	\$ -	\$ 25,165
Total Capital Assets Not Being Depreciated	-	25,165	-	25,165
Capital Assets, being depreciated:				
Buildings and Improvements	16,570,830	80,084	-	16,650,914
Furniture & Equipment	623,555	65,503	-	689,058
Buses & Vehicles	614,465	202,175	-	816,640
Total Capital Assets Being Depreciated	17,808,850	347,763	-	18,156,613
Accumulated depreciation:				
Buildings and Improvements	(2,812,675)	(454,483)	-	(3,267,158)
Furniture & Equipment	(296,904)	(52,539)	-	(349,443)
Buses & Vehicles	(274,336)	(66,030)	-	(340,366)
Total Accumulated Depreciation	(3,383,915)	(573,051)	-	(3,956,966)
Total Capital Assets Being Depreciated, Net	14,424,935	(225,288)	-	14,199,647
Governmental Activities Capital Assets, Net	14,424,935	(200,123)	-	14,224,812

Depreciation was expensed to the following functions:

Operations and Maintenance	501,356
Transportation	66,030
Food Service	5,665
Total Depreciation Expense	<u>573,051</u>

NOTE 5 DEFERRED INFLOWS/OUTFLOWS OF RESOURCES

Deferred inflows of resources on the fund financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available.

The District recognizes uncollected taxes receivable, which are not expected to be collected within 60 days after year end, as deferred inflows of resources. Below is a summary of the District's property tax receivables and deferred inflows of resources:

	<u>Receivable</u>	<u>Deferred</u>
General Fund	55,088	81,623
Capital Project Fund	8,454	8,454
Sinking & Interest Fund	35,092	35,092
Special Reserve Fund	2,529	2,529
	<u>101,163</u>	<u>127,698</u>

NOTE 6 LONG TERM OBLIGATIONS

Long-term liability activity for the year ended June 30, 2022 is as follows:

	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022	Due Within One Year
Long-Term Debt					
General Obligation Bonds	\$ 7,179,019	\$ -	\$ (431,272)	\$ 6,747,747	\$ 438,610
Limited Tax Bonds	1,775,000	-	(30,000)	1,745,000	30,000
Financed Purchases	259,090	-	(47,903)	211,187	49,483
Total Long-Term Debt	\$ 9,213,109	\$ -	\$ (509,175)	\$ 8,703,935	\$ 518,094
Other Long-Term Obligations					
Compensated Absences Payable	\$ 29,090		\$ (2,918)	\$ 26,172	\$ -
Net Pension Liability TFFR	4,404,073	(1,358,263)	-	3,045,810	-
Net Pension Liability NDPERS	1,840,139	(1,266,415)	-	573,724	-
Net Other Post Employment Benefit Liability	47,612	(17,382)	-	30,230	-
Total Long-Term Obligations	\$ 6,320,914	\$ (2,642,060)	\$ (2,918)	\$ 3,675,936	\$ -

General Obligation Bonds – General obligation bonds payable at June 30, 2022, with their outstanding balance are comprised of the following individual issues:

General Obligation School Building Bonds, Series 2015A

On July 8, 2015 the school district issued "General Obligation School Building Bonds, Series 2015A" in the amount of \$880,000. The bonds carry an interest rate varying from 1.10% to 3.50%, with a true interest rate of 3.2560%. Interest is due semiannually and principal is due annually. This issue is scheduled to mature August 1, 2034.

Outstanding June 30, 2022	\$645,000
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General Obligation State School Construction Fund Bonds, Series 2015C

On July 30, 2015 the school district issued “General Obligation State School Construction Fund Bonds, Series 2015C” in the amount of \$8,088,858. The bonds carry an interest rate at 5.0%, until July 1, 2025, and thereafter at a rate established by BND pursuant to Chapter 15.1-36 of the N.D.C.C. From the date of issue until July 1, 2025 the district will receive interest buydown funds from the State to reduce the interest rate on the bonds to 2.00%. Principal and interest payments are due semiannually through September 2035.

Outstanding June 30, 2022	<u>\$6,102,747</u>
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Total General Obligation Bonds Outstanding June 30, 2022	<u>\$6,747,747</u>
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Limited Tax Bonds – Limited tax bonds payable at June 30, 2022, with their outstanding balance are comprised of the following individual issues:

\$140,000 Limited Tax School Building Fund Bonds, Series 2009

The school district issued bonds during 2009 designated as “\$140,000 Limited Tax School Building Fund Bonds, Series 2009” issued pursuant to Chapter 21-03 of the ND Century Code and pursuant to Section 54F of the Internal Revenue Code of 1986, as amended. The bonds carry no interest; the purchaser of the bonds receives a federal income tax credit in lieu of periodic interest payments. Annual transfers of \$9,333 are made to a sinking fund until maturity in 2025. As of June 30, 2022 the district has restricted \$93,333 for this issue.

Outstanding June 30, 2022	\$140,000
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Taxable Limited Tax School Building Bonds, Series 2010

In 2010, the school district issued “Taxable Limited Tax School Building Bonds, Series 2010” in the amount of \$450,000. The bonds were issued pursuant to Sections 21-03-07, 21-03-09, and 21-03-14 of the ND Century Code, pursuant to Section 54F of the Internal Revenue Code of 1986, as amended. The bonds carry an interest rate of 5.29%. Annual transfers of \$30,000 are made to a sinking fund until maturity in 2020. As of June 30, 2022 the district has restricted \$303,522 for this issue.

Outstanding June 30, 2022	\$450,000
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Limited Tax Building Fund Bonds, Series 2015B

On August 20, 2015 the school district issued “Limited Tax Building Fund Bonds, Series 2015B in the amount of \$1,330,000. The bonds carry an interest rate varying from 3.00% to 3.750%, with a true interest rate of 3.3163%. Interest is due semiannually and principal is due annually. The issue is scheduled to mature August 1, 2034.

Outstanding June 30, 2022	<u>\$1,155,000</u>
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Total Limited Tax Bonds Outstanding June 30, 2022	<u>\$1,745,000</u>
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Financed Purchases Payable – In prior years the District entered into a financed purchase agreement to purchase equipment in conjunction with the construction of a new addition. This agreement meets the criteria of a financed purchase which is defined as a financing agreement which automatically transfers

ownership to the lessee at the end of the agreement. The finance purchase payable is recorded on the Statement of Net Position, and was previously reported as capital lease payable. Financed purchases payments are reflected as debt service expenditures in the Sinking Fund. Financed purchases payable at June 30, 2022, with their outstanding balance are comprised of the following:

The District entered into a financed purchase agreement to purchase equipment in conjunction with construction of a new addition. The agreement is for 10 years at a 3.302% interest rate. The last payment is due in 2025.

Outstanding June 30, 2022

\$211,188

The annual requirement to amortize all long-term debt as of June 30, 2022, including interest payments are as follows:

Year Ended June 30	General Obligation Bonds		Limited Tax Bonds		Financed Purchases	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 438,610	\$ 140,936	\$ 30,000	\$ 62,130	\$ 49,483	\$ 6,863
2024	451,622	131,849	30,000	61,230	51,116	5,230
2025	459,795	122,326	625,000	60,255	52,803	3,543
2026	468,133	112,638	35,000	35,400	57,784	1,800
2027	476,638	102,783	90,000	33,525	-	-
2028 - 2032	2,546,868	354,900	485,000	124,450	-	-
2033 - 2037	1,906,081	79,616	450,000	34,688	-	-
Total	\$ 6,747,748	\$ 1,045,048	\$ 1,745,000	\$ 411,678	\$ 211,187	\$ 17,435

NOTE 7 PROPERTY TAXES

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

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the discount on the property taxes.

The county treasurer collects all property taxes levied in the county, acting as agent for the various taxing authorities in the county. Collected taxes are remitted to the taxing authorities monthly unless the amount is insignificant.

Taxes receivable represents the past three years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes receivable.

NOTE 8 PENSION PLAN

Summary of Significant Accounting Policies

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 Employees Retirement System (NDPERS) and the 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.

General Information about the Pension Plans

A. North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

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

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

Death and Disability Benefits

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

if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

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

At June 30, 2022, the Employer reported a liability of \$573,724 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2021, the Employer's proportion was 0.055044 percent, which was a decrease of 0.0003447 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Employer recognized pension expense of \$327,772. At June 30, 2022, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 9,905	\$ 58,556
Changes of assumptions	635,001	827,909
Net difference between projected and actual earnings on pension plan investments	-	212,785
Changes in proportion and differences between Employer contributions and proportionate share of contributions	14,734	56,658
*Employer contributions subsequent to the measurement date of July 1, 2021	53,821	-
Total	<u>\$ 713,461</u>	<u>\$ 1,155,908</u>

*\$53,821 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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

Year ended June 30:	
2023	\$ (76,476)
2024	(109,518)
2025	(94,040)
2026	(216,234)
2027	-
Thereafter	-
Total	<u>\$ (496,268)</u>

Actuarial Assumption

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.50% to 17.75% including inflation * Age-based salary increase rates apply for employees with three or more years of service

*Aged-based salary increase rates apply for employees with three or more years of service.

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

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

arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

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

Discount Rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the system to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 1.92%; and the resulting Single Discount Rate is 7.00%.

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Employer's proportionate share of the net pension liability	912,414	573,724	291,711

Pension Plan Fiduciary Net Position

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

B. North Dakota Public Teachers' Fund for Retirement

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

A Tier 1 non-grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70½. Refunded members forfeit all

service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

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

At June 30, 2022, the Employer reported a liability of \$3,045,810 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2021, the Employer's proportion was 0.289071 percent, which was an increase of 0.00001318 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Employer recognized pension expense of \$363,078. At June 30, 2022, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 23,864	\$ 144,856
Net difference between projected and actual earnings on pension plan investments	-	1,006,455
Changes of assumptions	120,647	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	125,910	197,023
*Employer contributions subsequent to the measurement date of July 1, 2021	294,418	-
Total	<u>\$ 564,839</u>	<u>\$ 1,348,334</u>

*\$294,418 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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

Year ended June 30:		
2023	\$	(285,503)
2024		(252,996)
2025		(269,567)
2026		(319,790)
2027		10,363
Thereafter		39,581
Total	\$	<u>(1,077,912)</u>

Actuarial Assumptions

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

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

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	55%	6.87%
Global Fixed Income	26%	0.70%
Global Real Assets	18%	4.80%
Cash Equivalents	1%	-1.00%

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

Sensitivity of the 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 employers' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Employer's proportionate share of the net pension liability	5,157,524	3,434,829	2,004,306

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>.

Payables to the Pension Plan

As of June 30, 2022, the district had no accrued payable to the pension plan.

NOTE 9 OTHER POST EMPLOYMENT BENEFITS (OPEB)

Summary of Significant Accounting Policies

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

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

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

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

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

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

Resources Related to OPEB

At June 30, 2022, the district reported a liability of \$30,230 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. June 30, 2021, the district's proportion was 0.056600 percent, which was an increase of .001474 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the district recognized OPEB expense of \$7,270. At June 30, 2022, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 1,737	\$ 829
Changes of assumptions	4,681	-
Net difference between projected and actual earnings on OPEB plan investments	-	10,357
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,427	1,561
*Employer contributions subsequent to the measurement date of July 1, 2021	6,830	-
Total	<u>\$ 14,675</u>	<u>\$ 12,747</u>

*\$6,830 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022.

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

Year ended June 30:	
2022	\$ (754)
2023	(827)
2024	(1,283)
2025	(2,119)
2026	81
Thereafter	-
Total	<u>\$ (4,902)</u>

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

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Mortality Pub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103%

for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Lg Cap Domestic Equities	33%	5.85%
Sm Cap Domestic Equities	6%	6.75%
International Equities	26%	6.25%
Core-Plus Fixed Income	35%	0.50%

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

Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate.

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

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Employer's proportionate share of the net OPEB liability	44,834	30,230	17,872

NOTE 10 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 joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The District pays an annual premium

to NDIRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of one million dollars per occurrence.

The District also 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 twelve-month period.

The State Bonding Fund currently provides the school district with blanket fidelity bond coverage in the amount of \$835,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage. The District also participates in North Dakota Workforce Safety and Insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 11 GRANTS

The District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the District's independent auditors and other governmental auditors. Any disallowed claims resulting from such an audit could become a liability of the General Fund or other applicable fund. Based on prior experience, the District administration believes such disallowance, if any, would be immaterial.

NOTE 12 INTERFUND TRANSFERS

Operating transfers for the fiscal year ended June 30, 2022 were as follows.

Fund	In	Out
General Fund	\$ 46,933	\$ 100,352
Special Reserve	-	35,572
Capital Projects Fund	-	64,084
Parking Lot Bonds Series 2010	31,357	11,361
Bus Barn Bonds Series 2009	9,333	-
Building Bonds Series 2015	68,995	-
Building Project Equipment Lease	54,751	-
Total	\$ 211,369	\$ 211,369

Transfers were made for cash management requirements and debt service requirements.

NOTE 13 NON-MONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its hot lunch program and its market value is recognized as revenue from federal sources. The market value of commodities received for the year ended June 30, 2022 was \$23,743.

NOTE 14 TAX ABATEMENTS

Walsh County and certain political subdivisions within the county can negotiate property tax abatement agreements with the individuals and various businesses. Walsh County has the following types of tax abatement and tax exemption agreements with various individuals and commercial entities at June 30, 2022.

New or Expanding Business Exemption under NDCC Ch. 40-57.1, provides property tax abatements by assisting in establishing industrial plants, expanding, and retaining existing businesses. A property tax exemption allows for the property to be excluded for up to five years. The property must have prior certification as a primary sector business by the ND Commerce Department. A partial or complete exemption from ad valorem taxation under this section for retail sector projects may receive a partial or complete exemption from the governing body of the city or county.

Public Charity Exemption: Public charities are eligible for property tax exemption if they meet state requirements at NDCC-57-02-08 (8). 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 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 Tax Exemption of Improvements to Buildings: Improvements to commercial and residential buildings and structures as defined in NDCC 57-02.2-03 may be exempt from assessment and taxation for up to five years from the date of commencement of making the improvements, if the exemption is approved by the governing body of the city, for property within city limits, or the governing body of the county, for property outside city limits.

Property Tax Exemption for Builders of Certain New Single-Family Residential Properties. N.D.C.C. § 57-02-08(35) provides a discretionary exemption for certain new single-family residential properties from property taxes for the taxable year in which construction began and the next two taxable years, if the property remains owned and occupied for the first time, and other conditions are met. Up to one hundred fifty thousand dollars of the true and full value of all new single-family and condominium and townhouse residential property, exclusive of the land on which it is situated is eligible for consideration.

Various businesses and individuals located in Walsh County have received property tax abatements and/or exemptions under the above programs. The value of these abatements and exemptions are currently not calculated by the county, so the resulting reduction to the District's property tax revenues could not be determined.

NOTE 15 PRIOR PERIOD ADJUSTMENT

Net position/fund balance as of July 1, 2021 has been restated due to a fund reclassification under GASB Statement No. 84, Fiduciary Activities. Other governmental funds beginning net position/fund balance increased by \$226,270 to include the Student Activity Fund. The Student Activity Fund was previously reported as a fiduciary fund.

NOTE 16 SUBSEQUENT EVENTS

As of March 10, 2023, the date the financial statements were available to be issued, the district was not aware of any subsequent events that need to be disclosed in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

PARK RIVER AREA SCHOOL DISTRICT NO. 8

Park River, North Dakota

Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2022

	<u>General Fund</u>			
	Original Budget	Final Budget	Actual	Variance
Revenues:				
Local Sources	\$ 1,162,671	\$ 1,162,671	\$ 1,171,871	\$ 9,200
State Sources	4,086,000	3,966,000	4,016,517	50,517
Federal Sources	842,195	988,002	971,852	(16,150)
Total Revenues	6,090,866	6,116,673	6,160,240	43,567
Expenditures:				
Regular Instruction Programs	1,907,363	1,876,597	1,857,013	19,584
Special Education	960,865	848,646	814,095	34,551
Vocational Instruction	271,890	271,890	267,882	4,008
Federal Programs	511,327	1,536,696	695,344	841,352
Other Programs & Services	218,930	228,110	211,987	16,123
Student Support Services				
Counseling Services	235,772	167,954	167,336	618
Instructional Staff	135,641	135,641	131,937	3,704
General Administration	380,076	379,976	404,156	(24,180)
School Administration	254,520	242,520	239,070	3,450
Business Office	76,625	76,625	76,012	613
Operation and Maintenance	636,289	537,495	460,701	76,794
Transportation	405,893	203,118	209,909	(6,791)
Central Support Services	1,650	1,650	40,602	(38,952)
Capital Outlay	2,500	2,500	347,763	(345,263)
Total Expenditures	5,999,341	6,509,418	5,923,806	585,612
Excess Revenues over (under) Expenditures	91,524	(392,745)	236,434	629,179
Interfund Transfers In	37,000	37,000	46,933	
Interfund Transfers (Out)	(103,000)	(103,000)	(100,352)	
Net Change in Fund Balance	25,524	(458,745)	183,415	
Fund balance - July 1	1,047,948	1,047,948	1,047,948	
Fund balance - June 30	\$ 1,073,472	\$ 589,203	\$ 1,231,363	

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

PARK RIVER AREA SCHOOL DISTRICT NO. 8
Park River, North Dakota
Schedule of District's Share of Net Pension Liability
ND Teachers' Fund for Retirement
Last 10 Fiscal Years*

Year Ended June 30	Employer's Proportion Of the Net Pension Liability (Asset)	Employer's Proportionate Share Of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share Of the Net Pension Liability (Asset) as a % of its covered-employee Payroll	Plan Fiduciary Net Position As a % of the Total Pension Liability
2015	0.343974%	3,604,238	1,995,232	180.6%	66.60%
2016	0.326382%	4,268,604	2,007,593	212.6%	62.10%
2017	0.313455%	4,592,296	2,036,594	225.5%	59.20%
2018	0.318522%	4,374,981	2,149,932	203.5%	63.20%
2019	0.307518%	4,098,775	2,090,534	196.1%	65.50%
2020	0.296995%	4,090,369	2,083,502	196.3%	65.50%
2021	0.287753%	4,404,073	2,099,622	209.8%	63.40%
2022	0.289071%	3,045,810	2,227,868	136.7%	75.70%

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

Amounts presented in each fiscal year have a measurement date of the previous fiscal year end.

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

PARK RIVER AREA SCHOOL DISTRICT NO. 8

Park River, North Dakota

Schedule of District's Contributions

ND Teachers' Fund for Retirement

Last 10 Fiscal Years*

Year Ended		Contributions in Relation	Contribution		Contributions
June 30	Statutorily	to the Statutorily Required	Deficiency	Employer's Covered	as a % of
	Required Contribution	Contribution	(Excess)	Employee Payroll	Covered Employee
					Payroll
2015	214,485	214,485	0	1,995,232	10.75%
2016	255,956	255,956	0	2,007,593	12.75%
2017	259,666	259,666	0	2,036,594	12.75%
2018	274,116	274,116	0	2,149,932	12.75%
2019	266,543	266,543	0	2,090,534	12.75%
2020	265,647	265,647	0	2,083,502	12.75%
2021	267,704	267,704	0	2,099,622	12.75%
2022	284,053	284,053	0	2,227,868	12.75%

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

Amounts presented in each fiscal year have a measurement date of the previous fiscal year end.

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

PARK RIVER AREA SCHOOL DISTRICT NO. 8
Park River, North Dakota
Schedule of District's Share of Net Pension Liability
ND Public Employees Retirement System
Last 10 Fiscal Years*

Year Ended June 30	Employer's Proportion Of the Net Pension Liability (Asset)	Employer's Proportionate Share Of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share Of the Net Pension Liability (Asset) as a % of its covered-employee Payroll	Plan Fiduciary Net Position As a % of the Total Pension Liability
2015	0.058921%	373,984	496,336	75.3%	77.70%
2016	0.058116%	395,179	517,742	76.3%	77.15%
2017	0.060221%	586,912	606,881	96.7%	70.46%
2018	0.056497%	908,092	576,741	157.5%	61.98%
2019	0.056122%	947,120	576,550	164.3%	62.80%
2020	0.059137%	693,128	615,130	112.7%	71.66%
2021	0.058491%	1,840,139	645,228	285.2%	48.91%
2022	0.055044%	573,724	623,314	92.0%	78.26%

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

Amounts presented in each fiscal year have a measurement date of the previous fiscal year end.

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

PARK RIVER AREA SCHOOL DISTRICT NO. 8

Park River, North Dakota

Schedule of District's Contributions

ND Public Employees Retirement System

Last 10 Fiscal Years*

Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	35,339	35,339	0	496,336	7.12%
2016	39,327	39,438	(111)	517,742	7.62%
2017	43,938	40,974	2,964	606,881	6.75%
2018	41,821	41,918	(97)	576,741	7.27%
2019	42,465	43,166	(701)	576,550	7.49%
2020	44,785	43,917	868	615,130	7.14%
2021	45,688	45,243	445	645,228	7.01%

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

Amounts presented in each fiscal year have a measurement date of the previous fiscal year end.

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

PARK RIVER AREA SCHOOL DISTRICT NO. 8

Park River, North Dakota

Schedule of District's Share of Net OPEB Liability

ND Public Employees Retirement System

Last 10 Fiscal Years*

Year Ended June 30	Employer's Proportion Of the Net OPEB Liability (Asset)	Employer's Proportionate Share Of the Net OPEB Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share Of the Net OPEB Liability (Asset) as a % of its covered-employee Payroll	Plan Fiduciary Net Position As a % of the Total OPEB Liability
2018	0.053311%	42,170	576,741	7.3%	59.78%
2019	0.052691%	41,498	576,550	7.2%	61.89%
2020	0.055126%	44,277	615,130	7.2%	63.13%
2021	0.056600%	47,612	645,228	7.4%	63.38%
2022	0.056600%	47,612	592,592	8.0%	76.63%

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

Amounts presented in each fiscal year have a measurement date of the previous fiscal year end.

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

PARK RIVER AREA SCHOOL DISTRICT NO. 8

Park River, North Dakota

Schedule of District's OPEB Contributions

ND Public Employees Retirement System

Last 10 Fiscal Years*

Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2018	6,704	6,685	19	576,741	1.16%
2019	6,763	6,911	(148)	576,550	1.20%
2020	7,154	7,023	131	615,130	1.14%
2021	7,580	7,244	336	645,228	1.12%
2022	7,126	6,960	166	592,592	1.17%

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

Amounts presented in each fiscal year have a measurement date of the previous fiscal year end.

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

PARK RIVER AREA SCHOOL DISTRICT NO. 8
Park River, North Dakota
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022

NOTE 1 BUDGETS

The District's board follows the procedures established by North Dakota law for the budgetary process. The business manager prepares an annual school district budget and property tax levy. The budget is prepared by funds, function and activity, and includes information on the past year, current year and requested appropriations for the next year.

The county treasurer collects all property taxes levied in the county, acting as agent for the various taxing authorities in the county. Collected taxes are remitted to the taxing authorities monthly unless the amount is insignificant.

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

- Administration prepares the District's budget using a modified accrual basis of accounting. The board reviews the budget and makes any necessary revisions. On or before July 31, the board adopts the final budget. The final budget and property tax levy request is sent to the county auditor by August 15.
- The budget may be amended during the year for any receipts and appropriations not anticipated at the time the budget was prepared except no amendment changing the taxes levied can be made after October 10.
- At year-end, the balance of each appropriation becomes a part of the unappropriated fund balance.

The District's expenses did not exceed budgeted amounts for any fund during the year ended June 30, 2022.

NOTE 2 PENSIONS

A. North Dakota Public Employees Retirement System

Changes of Benefit Terms

The interest rate earned on member contributions decreased from 7.00 percent to 6.50

percent effective January 1, 2021 (based on the adopted decrease in the investment return

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

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

Changes of assumptions.

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

B. North Dakota Teachers' Fund for Retirement

Changes of assumptions. 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.

C. Other Post Employment Benefit

Changes of Benefit Terms

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

Changes of assumptions.

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

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

SUPPLEMENTARY INFORMATION

PARK RIVER AREA SCHOOL DISTRICT NO. 8
Park River, North Dakota
Detailed Statement of Revenue, Expenditures and Changes in Fund Balance - General Fund
Year Ended June 30, 2022

REVENUE:

LOCAL SOURCES

General Property Taxes	960,704
Other Tax Revenue	76,537
Services Provided Other LEAs	111,865
Investment Income	3,928
Other Local Sources	18,837
Total Local Sources	1,171,871

STATESOURCES

Per Pupil Aid	3,889,164
Transportation Aid	119,726
Vocational Aid	6,049
Other State Sources	1,578
Total State Sources	4,016,517

FEDERAL SOURCES

Title I	110,220
Title II	31,369
Title IV Student Support & Academic Enrich	19,812
Title IV 21st Century (ESP)	62,006
Coronavirus Relief Fund	-
ESSER Grant	622,895
Other Federal Programs	125,550
Total Federal Sources	971,852

TOTAL REVENUE	6,160,240
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PARK RIVER AREA SCHOOL DISTRICT NO. 8
Park River, North Dakota
(Cont'd) Detailed Statement of Revenue, Expenditures and Changes in Fund Balance - General
Fund
Year Ended June 30, 2022

EXPENDITURES:

REGULAR INSTRUCTION

Kindergarten Instruction	138,943
Elementary Instruction	901,958
Junior High Instruction	223,206
Senior High English	90,022
Senior High Math	181,080
Senior High Social Studies	127,907
Senior High Music & Phy Ed	82,539
Senior High ITV	23,059
All Classes Instruction	45,697
Total Regular Instruction	1,814,411

TUITION

Elementary Tuition	17,315
Junior High Tuition	12,573
Senior High Tuition	12,714
Total Tuition	42,602

SPECIAL EDUCATION PROGRAMS

Special Ed Tuition Assessment	489,404
Special Programs	32,760
Learning Disabled	240,389
PreSchool	51,542
Total Special Education Programs	814,095

CAREER AND TECHNICAL EDUCATION PROGRAMS

Vocational Agriculture	27,118
Vocational Family & Consumer Science	71,462
Vocational Programs Tuition	85,368
Vocational Counseling Services	70,750
Vocational Transportation	13,184
Total Vocational Education	267,882

FEDERAL PROGRAMS

Title I Grants to LEAs	133,578
Title IIA Teacher Principal Quality	28,846
Title IV Student Support & Academic Enrich	17,620
Title IV 21st Century (ESP)	67,403
ESSER Programs	306,849
Best In Class	122,761
Other Federal Programs	18,286
Total Federal Programs	695,344

PARK RIVER AREA SCHOOL DISTRICT NO. 8
Park River, North Dakota
(Cont'd) Detailed Statement of Revenue, Expenditures and Changes in Fund Balance - General
Fund
Year Ended June 30, 2022

EXPENDITURES CONT'D:

STUDENT SUPPORT SERVICES

Counseling Services	167,336
Instructional Staff	
Instructional Staff Tuition Assistance	15,643
School Library Services	77,782
Other Support Services	38,512
General Administration	
School Board	183,419
Election Services	600
Superintendent	220,137
School Administration	
Principal	239,070
Support Services - Business	76,012
Operation & Maintenance of Plant	460,701
Student Transportation	209,909
Central Support Services	40,602
Total Student Support Services	<u>1,729,723</u>

OTHER PROGRAMS

Community Services Preschool	
Student Activities Instruction	206,151
Drivers Ed	5,836
Total Other Programs	<u>211,987</u>

CAPITAL OUTLAY:

Capital Outlay	347,763
TOTAL EXPENSES	<u>5,923,806</u>

Excess Revenue over (under)	<u>236,434</u>
Expenses before Interfund Transfers	

OTHER FINANCING SOURCES (USES)

Sale of Fixed Assets	400
Interfund Transfers In	46,933
Interfund Transfers (Out)	(100,352)
Total Other Financing Sources (Uses)	<u>(53,019)</u>

Net Change in Fund Balance	<u>183,415</u>
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Fund balance - July 1	1,047,948
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Fund balance - June 30	<u>1,231,363</u>
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PARK RIVER AREA SCHOOL DISTRICT NO. 8

Park River, North Dakota

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2022

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</u>	<u>ALN NUMBER</u>	<u>PASS THROUGH GRANTOR'S NUMBER</u>	<u>TOTAL FEDERAL EXPENDITURES</u>
U. S. Department of Agriculture:			
Passed through the North Dakota Department of Public Instruction			
Child Nutrition Cluster:			
School Breakfast Program	10.555	F10555	\$ 41,396
National School Lunch Program	10.555	F10555	275,635
National School Lunch Program - Commodities *	10.555	F10555	23,743
School Nutrition (SNP)	10.555	F10555	6,597
Total Child Nutrition Cluster			347,372
CNP Emergency Costs	10.555C	F10555C	1,340
Supply Chain Assistance	10.555S	F10555S	12,461
State Administrative Expense (SAE) Funds	10.560	F10560	2,243
Fresh Fruit and Vegetable Program	10.582	F10582	18,862
SNAP State and Local PEBT	10.649	F10649	614
Total U. S. Department of Agriculture			382,891
U.S. Department of Education:			
Direct Assistance			
Small, Rural School Achievement Program	84.358A	N/A	7,035
Passed through the North Dakota Department of Public Instruction			
Title 1 Grants to LEA	84.010	F84010	114,936
Supporting Effective Instruction State Grants	84.367A	F84367	28,845
State Support and Academic Enrichment Program	84.424A	F84424A	17,620
Elementary and Secondary School Emergency Relief Funds	84.425D	F84425D	214,833
Elementary and Secondary School Emergency Relief Funds	84.425U	F84425U	408,062
Elementary and Secondary School Emergency Relief Funds	84.425W	F84.425W	625
Passed Through the North Dakota Department of Human Services			
Education Stabilization Fund	84.425	NONE	116,213
Passed Through North Valley Career & Tech Center:			
21st Century Community Learning Centers Program	24.287C	NONE	62,006
Vocational Education (Carl Perkins Grant)	84.048	NONE	1,677
Total U. S. Department of Education			971,852
Total Expenditures of Federal Awards			\$ 1,354,743

See notes to the Schedule of Expenditures of Federal Awards

PARK RIVER AREA SCHOOL DISTRICT NO. 8
Park River, North Dakota
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Park River Area School District No. 8, Park River, North Dakota for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the Park River Area School District No. 8. Expenditures represent only the federally funded portions of the program. The District records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 NON-CASH AWARDS

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

NOTE 4 PASS-THROUGH GRANT NUMBER

For Federal Pass-through programs marked "N/A", the District was unable to obtain a pass-through grant number.

NOTE 5 INDIRECT COST RATE

The District has not elected to use the 10 percent de minimis cost rate as allowed under Uniform Guidance



CERTIFIED PUBLIC ACCOUNTANTS

Wally Rygh, CPA
Lynda J. Hurtt, CPA
Rachel Almen, CPA
Patty Dahlen, Partner

**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 School Board
Park River Area School District No. 8

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, each major fund, and the aggregate remaining fund information of Park River Area School District No. 8, Park River, North Dakota, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the school district's basic financial statements and have issued our report thereon dated March 10, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Park River Area School District No. 8's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control. Accordingly, we do not express an opinion on the effectiveness of school district's internal control.

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

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. We consider deficiency 2021-1, as described in the accompanying schedule of findings and questioned costs, to be a material weakness.

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Phone: (701) 352-2285
Fax: (701) 352-2306

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider deficiency 2021-2, as described in the accompanying schedule of findings and questioned costs, to be a significant deficiency.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether Park River Area School District No. 8's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Park River Area School District No 8's's Response to Findings

Park River Area School District No. 8's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The school district's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Hurtt, Mortenson & Rygh
Certified Public Accountants
Park River, North Dakota
March 10, 2023



CERTIFIED PUBLIC ACCOUNTANTS

Wally Rygh, CPA
Lynda J. Hurtt, CPA
Rachel Almen, CPA
Patty Dahlen, Partner

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

To the School Board
Park River Public School District No. 8
Park River, North Dakota

Report on Compliance for Each Major Federal Program

We have audited the Park River Area School District No. 8, North Dakota'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 Park River Area School District No. 8, North Dakota's major federal programs for the year ended June 30, 2022. Park River Area School District No. 8, North Dakota's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Park River Area School District No. 8, North Dakota's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Park River Area School District No. 8, North Dakota's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Park River Area School District No. 8, North Dakota's compliance.

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Opinion on Each Major Federal Program

In our opinion, the Park River Area School District No. 8, North Dakota 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.

Report on Internal Control over Compliance

Management of the Park River Area School District No. 8, North Dakota is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Park River Area School District No. 8, North Dakota's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Park River Area School District No. 8, North Dakota's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Park River Area School District No. 8, North Dakota's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Park River Area School District No. 8, North Dakota's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

A handwritten signature in cursive script that reads "Hurtt, Mortenson & Rygh".

Hurtt, Mortenson & Rygh
Certified Public Accountants
Park River, North Dakota
March 10, 2023

PARK RIVER AREA SCHOOL DISTRICT NO. 8

Park River, North Dakota

Summary of Auditor's Results

For the Year ended June 30, 2022

Financial Statements

Type of auditor's report issued:

Governmental Activities	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting

Material weaknesses identified? X Yes No

Significant deficiencies identified not considered
to be material weaknesses? X Yes No

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness identified? Yes X No

Significant deficiencies identified that are not
considered to be material weakness? Yes X No

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported
in accordance with CFR 200.516 (Uniform Guidance) requirements? Yes X No

Identification of Major Programs:

84.425D/U	COVID-19 Elementary and Secondary School Emergency Relief Funds
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

PARK RIVER AREA SCHOOL DISTRICT NO. 8
Park River, North Dakota
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022

FINDINGS RELATED TO INTERNAL CONTROL OVER FINANCIAL REPORTING:

2022-1 Segregation of Duties

Condition

The Park River Area School District No. 8 has a lack of segregation of duties due to the limited number of administrative personnel. The District has one business manager who is responsible for most accounting functions and general ledger maintenance.

Criteria

The guidance relating to internal control is contained in Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This framework includes discussions about the importance of adequate risk assessment, code of conduct, and background investigations. Proper internal accounting control dictates that sufficient accounting personnel should exist so that incompatible duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the Park River Area School District No. 8.

Effect

Without adequate fraud risk programs and controls the District exposes itself to risk of loss of assets, potential liabilities, and damage to reputation, whether due to error or fraud.

Recommendation

When there is a lack of segregation of duties, COSO primarily points to additional management review and/or reconciliations. Rotation of job duties may also help reduce risk when there is a lack of segregation of duties. We recommend the School Board increase oversight by applying periodic reviews and/or reconciliations. This may include the School Board reviewing transactions for supporting documentation, reviewing cash reconciliations or performing cash reconciliations independently, and actively reviewing the financial reports and corresponding schedules.

School administration should consider requiring the bank reconciliation be reviewed and approved by someone separate from the individual preparing the reconciliation. Individuals responsible for authorizing and signing checks should be separate from the individuals responsible for printing and mailing checks. Two people should be responsible for counting cash and both should sign off on the cash counts. Monthly financial statements should be reviewed and approved by a responsible school board member.

Client Response

The District will consider the recommendations and implement those they deem appropriate.

2022-2 Financial Statement Preparation

Condition

Hurtt, Mortenson and Rygh assist the District's management in preparing financial statements and disclosures that are presented in accordance with generally accepted accounting principles.

Criteria

As a matter of internal control, management should be responsible and capable of preparing financial statements in conformity with generally accepted accounting principles.

Effect

Without the assistance of the auditors, the financial statements could be misstated or omit material financial statement disclosures.

Recommendation

We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. We further recommend that a responsible official review a current appropriate disclosure checklist or other guidance to ensure the financial statements contain all necessary disclosures.

Client Response

The District is aware of this condition, and will consider the risks and costs associated with the financial statement preparation. At this time the District will continue to request that Hurtt, Mortenson and Rygh assist with preparation of financial statements and disclosures.

Board of Education:
Brad Brummond, President
Kelly Houser • Jared Carlson
Erika Miller • Sydney Bata
Jenna Midgarden • Jacqi Zikmund

Park River Area School Dist. #8

704 5th Street W
Park River, ND 58270
701-284-7164 701-284-7936 (fax)
www.parkriverk12.com

Aaron Schramm, Superintendent
Frank Justin, High School Principal
Mary Martin, Elementary Principal
Roberta Hinkel, Business Manager

CORRECTIVE ACTION PLAN

2022-1 Segregation of Duties

Contact Person

Aaron Schramm, Superintendent

Planned Corrective Action

The Park River Area Public School District does not have sufficient personnel to obtain proper segregation of duties. We will continue to segregate duties to the extent possible.

Anticipated Completion Date

The anticipated completion date is when it becomes cost-effective.

2022-2 Financial Statement Preparation

Contact Person

Aaron Schramm, Superintendent

Planned Corrective Action

The business manager along with the superintendent will provide all necessary information and schedules to complete the financial statements and disclosures. The Park River Area Public School District feels it is most cost effective to request that Hurtt, Mortenson & Rygh assist with preparation of financial statements.

Anticipated Completion Date

The anticipated completion date is when it becomes cost-effective.