SOLEN PUBLIC SCHOOL DISTRICT NO. 3
SOLEN, NORTH DAKOTA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

TABLE OF CONTENTS

	Page
ROSTER OF SCHOOL OFFICIALS	**1**
INDEPENDENT AUDITOR'S REPORT	**2**
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	7
Statement of Activities	8
Balance Sheet - Governmental Funds	9
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	10
Statement of Revenues, Expenditures and Change in Fund Balances - Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	12
Notes to the Financial Statements	13
REQUIRED SUPPLEMENTARY INFORMATION	
Schedules of Employer's Proportionate Share of Net Pension Liability	40
Schedules of Employer's Proportionate Share of Net OPEB Liability	41
Schedules of Employer Contributions - Pension	42
Schedules of Employer Contributions - OPEB	43
Notes to the Required Supplementary Information	44
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	46
Notes to the Schedule of Expenditures of Federal Awards	47
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*	**48**
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	**50**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS	**55**
SCHEDULE OF PRIOR YEAR FINDINGS	**64**
CORRECTIVE ACTION PLAN	**81**

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
ROSTER OF SCHOOL OFFICIALS
JUNE 30, 2022

June 30, 2022

Maxine Thunder Hawk	President
Lynette Uses Arrow	Vice President
Madonna Red Bear	Board Member
Greta Conica	Board Member
Shannon Thunderhawk	Board Member
Sue Isbell	Board Member
Patti Kelly	Board Member
Tomi Phillips	Superintendent
David Drapeaux	Business Manager

BradyMartz

INDEPENDENT AUDITOR'S REPORT

To the School Board
Solen Public School District No. 3
Solen, North Dakota

Unmodified and Disclaimer of Opinions

We have audited the accompanying Statement of Net Position and Balance Sheet of Solen Public School District No. 3 as of and for the year ended June 30, 2022. We were engaged to audit the Statement of Activities, Statement of Revenues, Expenditures and Changes in Fund Balance, and the related notes to the financial statements as of and for the year ended June 30, 2022, which collectively comprise the Solen Public School District No. 3's basic financial statements as listed in the table of contents.

Summary of Opinions

Opinion Unit / Financial Statement	Type of Opinion
Governmental Activities – Statement of Net Position	Unmodified
Governmental Activities – Statement of Activities	Disclaimer
Governmental Funds – Balance Sheet	Unmodified
Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances	Disclaimer

Disclaimer of Opinion on the Statement of Activities and Statement of Revenues, Expenditures, and Changes in Fund Balance

We do not express an opinion on the Statement of Activities and Statement of Revenues, Expenditures, and Changes in Fund Balance for Solen Public School District No. 3 as of and for the year ended June 30, 2022. Because of the significance of the matter described in the Basis for Disclaimer of Opinion on the Statement of Activities and Statement of Revenues, Expenditures, and Changes in Fund Balance section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Statement of Activities and Statement of Revenues, Expenditures, and Changes in Fund Balance.

Unmodified Opinion on the Statement of Net Position and Balance Sheet

In our opinion, the Statement of Net Position and Balance Sheet referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Solen Public School District No. 3, as of June 30, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Disclaimer of Opinion on the Statement of Activities and Statement of Revenues, Expenditures, and Changes in Fund Balance

The prior auditors disclaimed an opinion on the Statement of Activities and Statement of Revenues, Expenditures, and Changes in Fund Balance as of June 30, 2021. As such, the beginning fund balances for the June 30, 2022 fiscal year were unable to be audited.

Basis for Unmodified Opinion

We conducted our audit on the respective financial position of the governmental activities Statement of Net Position and each major fund presented on the Balance Sheet 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 Solen Public School District No. 3 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described in Note 2 to the financial statements, Solen Public School District No. 3 adopted the provisions of Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Auditor's Responsibilities for the Audit of the Statement of Activities and Statement of Revenues, Expenditures, and Changes in Fund Balance

Our responsibility is to conduct an audit of the Solen Public School District No. 3's Statement of Activities and Statement of Revenues, Expenditures, and Changes in Fund Balance in accordance with generally accepted auditing standards and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion on the Statement of Activities and Statement of Revenues, Expenditures, and Changes in Fund Balance section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for the Statement of Activities and Statement of Revenues, Expenditures, and Changes in Fund Balance.

We are required to be independent of the Solen Public School District No. 3 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

Auditor's Responsibilities for the Audit of the Statement of Net Position and Balance Sheet

Our objectives are to obtain reasonable assurance about whether the Statement of Net Position and Balance Sheet as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement 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 judgement 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 District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has omitted management's discussion and analysis, the budgetary comparison schedules and required prior years information for pension and other post benefit plans, that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. 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 schedule of employer's proportionate share of net pension liability, schedule of employer's share of net OPEB liability, schedules of employer's contributions - pensions, schedule of employer's contributions - OPEB, and notes to the required supplementary information, as listed on 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 District's basic financial statements. The 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* is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2024 on our consideration of Solen Public School District No. 3's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Solen Public School District No. 3's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Solen Public School District No. 3's internal control over financial reporting and compliance.

Brady Martz

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

March 7, 2024

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
STATEMENT OF NET POSITION
JUNE 30, 2022

ASSETS	
Current assets	
Cash	$ 1,892,106
Accounts receivable	61
Due from other governments	791,944
Taxes receivable	9,906
Due from county treasurer	1,210
Prepaid items	29,669
Total current assets	2,724,896
Non-current assets	
Capital assets, net of depreciation	7,032,116
Lease asset, net of amortization	45,855
Total non-current assets	7,077,971
TOTAL ASSETS	9,802,867
DEFERRED OUTFLOWS OF RESOURCES	
Cost sharing defined benefits - pension	1,428,513
Cost sharing defined benefits - OPEB	16,486
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,444,999
LIABILITIES	
Current liabilities	
Accounts payable	708,102
Benefits payable	235,933
Interest payable	7,380
Long-term liabilities due within one year	
Compensated absences payable	26,930
Lease liability	16,878
Bonds payable	55,284
Total current liabilities	1,050,507
Long-term liabilities	
Long-term liabilities due after one year	
Net pension liability	2,855,082
Net OPEB liability	29,785
Lease liability	29,067
Bonds payable	236,763
Total long-term liabilities	3,150,697
TOTAL LIABILITIES	4,201,204
DEFERRED INFLOWS OF RESOURCES	
Cost sharing defined benefits - pension	2,353,590
Cost sharing defined benefits - OPEB	11,021
TOTAL DEFERRED INFLOWS OF RESOURCES	2,364,611
NET POSITION	
Net investment in capital assets	6,739,979
Unrestricted	(2,057,928)
TOTAL NET POSITION	$ 4,682,051

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
GOVERNMENTAL ACTIVITIES				
Regular instruction	$ 2,267,144	$ 3,191,425	$ -	$ 924,281
Special education	295,895	-	-	(295,895)
Administration	1,582,035	-	-	(1,582,035)
Food service	379,139	221,668	-	(157,471)
Operations and maintenance	619,616	-	-	(619,616)
Student transportation	335,363	-	-	(335,363)
Student support services	85,667	-	-	(85,667)
Co-curricular activities	106,318	-	-	(106,318)
Interest	16,873	-	-	(16,873)
TOTAL GOVERNMENTAL ACTIVITIES	$ 5,671,177	$ 3,413,093	$ -	(2,274,957)
GENERAL REVENUES				
Property Taxes				214,973
Unrestricted State Aid				2,756,963
Miscellaneous Revenue				64,611
TOTAL GENERAL REVENUES				3,036,547
Change in Net Position				761,590
Net Position - Beginning				3,920,461
Net Position - Ending				$ 4,682,051

See Notes to the Financial Statements

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	Building Fund	Total Governmental Funds
ASSETS			
Cash	$ 1,892,106	$ -	$ 1,892,106
Accounts receivable	61	-	61
Due from other governments	791,944	-	791,944
Taxes receivable	9,906	-	9,906
Due from county treasurer	1,210	-	1,210
Prepaid items	29,669	-	29,669
TOTAL ASSETS	$ 2,724,896	$ -	$ 2,724,896
LIABILITIES			
Accounts payable	$ 708,102	$ -	$ 708,102
Benefits payable	235,933	-	235,933
TOTAL LIABILITIES	944,035	-	944,035
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - delinquent taxes	9,906	-	9,906
FUND BALANCES			
Nonspendable	29,669	-	29,669
Unassigned	1,741,286	-	1,741,286
TOTAL FUND BALANCES	1,770,955	-	1,770,955
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 2,724,896	$ -	$ 2,724,896

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Total fund balance, governmental funds	$	1,770,955
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		
Capital assets, net of depreciation		7,032,116
Lease assets, net of amortization		45,855
Property taxes receivable will be collected during the year, but are not available soon enough to pay for the current period's expenditures, and, therefore are unavailable in the governmental funds.		9,906
Net deferred outflows/(inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities that are not financial resources, and therefore are not reported as deferred outflows/(inflows) of resources in the governmental funds.		
Cost sharing defined benefit plan deferred inflow - pension		(2,353,590)
Cost sharing defined benefit plan deferred outflow- pension		1,428,513
Cost sharing defined benefit plan deferred inflow - OPEB		(11,021)
Cost sharing defined benefit plan deferred outflow- OPEB		16,486
Certain short-term liabilities are not recognized as an expenditure in the govermental funds until they are due. All liabilities both current and long-term are reported in the Statement of Net Position.		(26,930)
Certain long-term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
Net pension liability		(2,855,082)
Net OPEB liability		(29,785)
Lease payable		(45,945)
Bonds payable		(292,047)
Interest payable		(7,380)
Net position of governmental activities in the Statement of Net Position	$	4,682,051

See Notes to the Financial Statements

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	Building Fund	Total Governmental Funds
REVENUES			
Local sources	$ 264,598	$ -	$ 264,598
State sources	2,756,963	-	2,756,963
Federal sources	3,413,093	-	3,413,093
Other sources	5,082	-	5,082
TOTAL REVENUES	6,439,736	-	6,439,736
EXPENDITURES			
Regular instruction	2,513,984	-	2,513,984
Special education	287,086	-	287,086
Administration	1,623,919	-	1,623,919
Food service	372,924	-	372,924
Operations and maintenance	600,152	-	600,152
Student transportation	283,280	-	283,280
Student support services	103,474	-	103,474
Co-curricular activities	99,413	-	99,413
Principal retirement	70,627	-	70,627
Interest	9,745	-	9,745
Capital outlay	109,427	-	109,427
TOTAL EXPENDITURES	6,074,031	-	6,074,031
Excess of revenues over (under) expenditures	365,705	-	365,705
OTHER FINANCING SOURCES (USES)			
Transfers in	1,205	-	1,205
Transfers out	-	(1,205)	(1,205)
TOTAL OTHER FINANCING SOURCES (USES)	1,205	(1,205)	-
Net change in fund balances	366,910	(1,205)	365,705
Fund balances - beginning of year	1,404,045	1,205	1,405,250
Fund balances - ending	$ 1,770,955	$ -	$ 1,770,955

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Net change in fund balances - total governmental funds:		$ 365,705
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.		
Capital asset additions	$ 109,427	
Current year depreciation	(165,217)	
Current year amortization	(16,913)	
Total		(72,703)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. This amount is the net change in property taxes receivable.		9,906
Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position.		70,627
Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:		
Net change in accrued interest		(7,380)
Net change in compensated absences and early retirement obligations		(26,930)
Net change in net pension liability		1,823,990
Net change in OPEB liability		14,240
Changes in cost sharing defined benefit plan relating to net pension liability		(1,353,808)
Changes in cost sharing defined benefit plan relating to net pension liability		(53,883)
Changes in cost sharing defined benefit plan relating to OPEB liability		(9,966)
Changes in cost sharing defined benefit plan relating to OPEB liability		1,792
Change in net position of governmental activities		$ 761,590

NOTE 1 DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Principal Activity

The Solen Public School District No. 3 (District) operates the elementary school in the city of Cannonball, North Dakota and the high school in the city of Solen, North Dakota.

Reporting Entity

The accompanying financial statements present the activities of the District. The District has considered all potential component units for which the District is financially accountable and other organizations for which the nature and significance of their relationships with the District such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the District.

Based on these criteria, there are no component units to be included within the Solen Public School District No. 3 as a reporting entity.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Solen Public School District No. 3 have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Basis of Presentation

Government-wide statements:

The statement of net position and the statement of activities display information about the School District. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

Fund Financial Statements:

The fund financial statements provide information about the School District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The School District reports the following major governmental funds:

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

Building Fund - This fund is used to account for financial resources to be used for acquisition or construction of a new school facility.

Measurement Focus and Basis of Accounting

Measurement Focus

Government-wide Financial Statements:

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

Fund Financial Statements:

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

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

Basis of Accounting

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

Government-wide financial statements are prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The District's governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available.

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of its fiscal year. Expenditures are generally recorded as the related fund liability is incurred.

Cash and Cash Equivalents

Cash includes amounts in demand deposits and money market accounts.

Accounts Receivable

Accounts receivable consists mainly of amounts on open account from other school districts and organizations for goods and services furnished by the District. Management has deemed all receivables to be collectible; therefore, no allowance for doubtful accounts has been set up.

Due from Other Governments

Intergovernmental receivables consist of reimbursements due for expenses in the operation of various school programs and other credits from the State. These amounts consist of a mix of State and Federal dollars.

Due from County Treasurer

The amount due from county treasurer consist of cash on hand for taxes collected but not remitted to the District on June 30.

Capital Assets

Capital assets include plant and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of $5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives (in years):

Buildings	50-100 years
Vehicles	5-15 years
Equipment	5-15 years

Compensated Absences

Vested or accumulated vacation leave is reported in government-wide statements of net position. Compensation for unused vacation leave will be granted to all licensed teachers. Teachers will be able to carry forward six personal days. Compensation for unused sick leave will be granted to all licensed teachers. Teachers will be able to carry forward sixty sick leave days.

Leases

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

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

The District continues to record rent expense for short term leases on a straight-line basis over the lease term. Short term leases have a term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the District is reasonably certain to exercise.

The depreciable life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

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

Long-Term Obligations

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

In the fund financial statements, the face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs are reported as debt service expenditures.

Transfers

Transfers are used to move unrestricted general revenue to finance programs that are accounted for in other funds in accordance with budget authority and to subsidize other programs.

Net Position

Net position represents the difference between assets, deferred inflows of resources, deferred outflows of resources, and liabilities. Net investment in capital assets consists of the remaining undepreciated cost of the asset less the outstanding debt, net of unamortized discounts, associated with the purchase or construction of the related asset. Net position is reported as restricted when external creditors, grantors, or other governmental organizations impose specific restrictions on the District. External restrictions may be imposed through state or local laws, and grant or contract provisions.

Net Position Flow Assumption

Sometimes, the government will fund outlays for particular purposes for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items reported on the statement of net position as cost sharing defined benefits – pensions, and cost sharing defined benefits – OPEB, which represents the actuarial differences within the NDPERS and TFFR pension plans, and NDPER OPEB plan, as well as amounts paid to the plans after the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items which qualify for reporting in this category. One of the items, unavailable revenue – delinquent taxes, is reported only in the governmental funds balance sheet. This amount, which is from delinquent property taxes, is deferred and recognized as an inflow of resources in the period that the amount becomes available. The other items are reported on the statement of net position as cost sharing defined benefits – pension, and cost sharing defined benefits – OPEB, which represents the actuarial differences within the NDPERS, TFFR pension plans and NDPERS OPEB Plan.

Unavailable Revenue - Delinquent Taxes

Receivables, such as taxes receivable, may be measurable but not available. Available means collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported delinquent taxes are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Fund Balance Classifications

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

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

Restricted – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the school board-the District's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the school board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification reflects the amounts constrained by the District's "intent" to be used for specific purposes but are neither restricted nor committed. The school board and superintendent have the authority to assign amounts to be used for specific purposes.

Unassigned – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the District's preference is to first use restricted resources, then unrestricted resources - committed, assigned, and unassigned - in order as needed.

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 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.

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.

Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenues - Exchange and Non-Exchange Transactions

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

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

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

Revenue Recognition - Property Taxes

As of June 30, 2022, taxes receivable consists of current and delinquent uncollected taxes for the past five years. Property taxes attach as an enforceable lien on property January 1. A five percent reduction is allowed if paid by February 15. Penalty and interest are added March 15 if the first half of the taxes has not been paid. Additional penalties are added October 15, if not paid. Taxes are collected by the county and usually remitted monthly to the District.

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

Change in Accounting Principles

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

The adoption of GASB 87 resulted in the recognition of a right to use leased asset and lease liability of $62,768 as of July 1, 2021. Results for periods prior to June 30, 2021 continue to be reported in accordance with the District's historical accounting treatment. See note 6 for expanded disclosures regarding the District's leases.

NOTE 3 DEPOSITS AND INVESTMENTS

In accordance with North Dakota Statutes, the District maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

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

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

Custodial Credit Risk

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

At year ended June 30, 2022, the School District's carrying amount of deposits totaled $1,892,106, and the bank balances totaled $2,195,957. The difference results from checks outstanding or deposits not yet processed. There were no amounts subject to custodial credit risk. As of June 30, 2022, all of the District's deposits were covered by either FDIC insurance or pledged securities held in the District's name.

NOTE 4 CAPITAL ASSETS

Primary Government

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

	Balance July 1, 2021 (restated)	Additions	Disposals	Balance June 30, 2022
Governmental Activities				
Capital Assets Being Depreciated				
Buildings	$ 6,930,506	$ 8,297	$ -	$ 6,938,803
Equipment	173,723	7,268	-	180,991
Vehicles	572,508	93,862	-	666,370
Leased Equipment	62,768	-	-	62,768
Total	7,739,505	109,427	-	7,848,932
Less Accumulated Depreciation				
Buildings	184,814	92,421	-	277,235
Equipment	69,928	17,559	-	87,487
Vehicles	334,089	55,237	-	389,326
Total	588,831	165,217	-	754,048
Less Accumulated Amortization				
Leased Equipment	-	16,913	-	16,913
Total	-	16,913	-	16,913
Net Capital and Leased Assets Being Depreciated and Amortized	7,150,674	(72,703)	-	7,077,971
Net Capital and Leased Assets for Governmental Activities	$ 7,150,674	$ (72,703)	$ -	$ 7,077,971

Depreciation expense was charged to functions of the District as follows:

Regular Instruction	$ 95,383
Administration	3,500
Operations and Maintenance	5,152
Student Transportation	39,132
Special Education	7,813
Co-Curricular	14,237
Total Depreciation Expense	$ 165,217

Leases

The School District leases four copier machines. The terms of the leases range from 44 to 45 months, commencing on July 1, 2021 and terminating at various dates until March 1, 2025 with annual rent payments ranging from $1,654 to $7,482.

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

Lease expense	
Amortization expense by class of underlying asset	
Copy Machine	$ 16,913
Total amortization expense	16,913
Interest on lease liabilities	252
Total	$ 17,165

NOTE 5 LONG-TERM LIABILITIES

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

	Balance July 1, 2021 (restated)	Increases	Decreases	Balance June 30, 2022	Due Within One Year
Compensated absences	$ -	$ 26,930	$ -	$ 26,930	$ 26,930
Lease liability	62,768	-	(16,823)	45,945	16,878
Certificate of indebtedness	345,851	-	(53,804)	292,047	55,284
	$ 408,619	$ 26,930	$ (70,627)	$ 364,922	$ 99,092

The obligation for the Certificate of indebtedness is as follows:

$400,000 Certificate of Indebtedness Series 2019, due in annual installments of $63,315 through August 1, 2026, interest at 2.75%.	$ 292,047

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

Fiscal Year Ending June 30	Principal	Interest	Total
2023	$ 55,284	$ 8,031	$ 63,315
2024	56,804	6,511	63,315
2025	58,366	4,949	63,315
2026	59,972	3,344	63,316
2027	61,621	1,695	63,316
	$ 292,047	$ 24,530	$ 316,577

Following is a schedule by years of future minimum rental payments required under the lease.

Fiscal Year Ending June 30,	Principal	Interest	Total Payments
2023	$ 16,878	$ 180	$ 17,058
2024	16,957	100	17,057
2025	12,110	23	12,133
Total	$ 45,945	$ 303	$ 46,248

NOTE 6 NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

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

At June 30, 2022, the Employer reported a liability of $2,270,039 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 0.21544414 percent, which was an increase of 0.02089728 from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Employer recognized pension expense of $43,668. At June 30, 2022 the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 15,772	$ (95,734)
Changes of assumptions	79,734	-
Net difference between projected and actual earnings on pension plan investments	-	(665,349)
Changes in proportion and differences between employer contributions and proportionate share of contributions	298,998	(470,930)
Employer contributions subsequent to the measurement date	235,428	-
Total	$ 629,932	$ (1,232,013)

$235,428 reported as deferred outflows of resources related to the pensions resulting from the Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

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

Year ending June 30:	
2023	$ (212,836)
2024	(191,702)
2025	(233,170)
2026	(249,582)
2027	(29,135)
Thereafter	78,916

Actuarial Assumptions

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

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

For active and inactive members, mortality rates were based on the PubT-2010 Employee table, projected with generational improvement using Scale MP-2019. For healthy retirees, mortality rates were based on 104% of the PubT-2010 Retiree table for retirees and to 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%	6.90%
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 June 30, 2021. Therefore, the long-term expected rate of return on TFFR investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

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

The following presents the net pension liability of the TFFR employers calculated using the discount rate of 7.25% as of June 30, 2021, as well as what the 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%
$ 3,408,547	$ 2,270,039	$ 1,324,623

Pension Plan Fiduciary Net Position

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

NOTE 7 NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. The plan provides retirement, disability, and death 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. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 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. The Main Plan will be closed to new employees with the passage of House Bill 1040. The effective date is dependent upon NDPERS implementing the changes to set up a new defined contribution (DC) plan. If the DC plan is set up by December 31, 2023, then the effective date of the Main Plan closure will be January 1, 2024. If the changes cannot be accomplished by then, the effective date will be January 1, 2025.

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. Employer contribution rates increase by 1% beginning January 1, 2024.

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 $585,043 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 0.056130 percent, which was an increase of 0.002045 from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Employer recognized pension expense of $163,584. At June 30, 2022, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 10,100	$ (59,712)
Changes of assumptions	647,529	(844,243)
Net difference between projected and actual earnings on pension plan investments	-	(216,983)
Changes in proportion and differences between employer contributions and proportionate share of contributions	98,196	(639)
Employer contributions subsequent to the measurement date	42,756	-
Total	$ 798,581	$ (1,121,577)

$42,756 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

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

Year ending June 30:	
2023	$ (23,177)
2024	(72,827)
2025	(64,416)
2026	(205,332)

Actuarial Assumptions

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

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	7.00%, net of investment expenses
Cost-of-living adjustments	None

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.00%
International Equity	21%	6.70%
Private Equity	7%	9.50%
Domestic Fixed Income	23%	0.73%
Global Real Assets	19%	4.77%

Discount Rate

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments as of June 30, 2021 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 as of June 30, 2022 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	$ 930,415	$ 585,043	$ 297,467

Pension Plan Fiduciary Net Position

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

NOTE 8 OTHER POST EMPLOYMENT BENEFITS

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

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

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

OPEB Benefits

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

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

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

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

At June 30, 2022, the Employer reported a liability of $29,785 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2021, the Employer's proportion was 0.053554 percent, which was a decrease of 0.001218 from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Employer recognized OPEB expense of $5,438. At June 30, 2022, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,709	$ (816)
Changes of assumptions	4,613	-
Net difference between projected and actual earnings on OPEB plan investments	-	(10,205)
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,693	-
Employer contributions subsequent to the measurement date	4,471	-
Total	$ 16,486	$ (11,021)

$4,471 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023.

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

Year ending June 30:	
2023	$ 752
2024	678
2025	148
2026	(907)
2027	323

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 RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	5.75%
Small Cap Domestic Equities	6%	6.75%
International Equities	26%	6.25%
Core-Plus Fixed Income	35%	0.50%

Discount Rate

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

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	$ 44,175	$ 29,785	$ 17,609

OPEB Plan Fiduciary Net Position

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

NOTE 9 RISK MANAGEMENT

The Solen Public School District No. 3 is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters.

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (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 and automobile insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and automobile.

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 State Bonding Fund currently provides the District with blanket fidelity bond coverage in the amount of $500,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

There have been no significant reductions in insurance coverage from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 10 CONTINGENCIES

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

NOTE 11 ISSUED BUT NON-EFFECTIVE PRONOUNCEMENTS

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

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

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

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

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

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62,* enhances the accounting and financial reporting requirements for accounting changes and error corrections. The standard is effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences,* updates the recognition and measurement guidance for compensated absences through aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The standard is effective for fiscal years beginning after December 15, 2023.

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

NOTE 12 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's yearend. Subsequent events have been evaluated through March 7, 2024, which is the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF EMPLOYER'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS

NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered-employee payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2022	0.21544%	$ 2,270,039	$ 1,660,427	136.71%	75.70%

NORTH DAKOTA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered-employee payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2022	0.05613%	$ 585,043	$ 635,606	92.04%	78.26%

* Complete data for these schedules is not available prior to 2022.

See Notes to the Required Supplementary Information

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYERS' PROPORTIONATE SHARE OF NET OPEB LIABILITY
LAST 10 FISCAL YEARS

	Employer's proportion of the net OPEB liability (asset)	Employer's proportionate share of the net OPEB liability (asset)	Employer's covered-employee payroll	Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2022	0.053554%	$ 29,785	$ 583,873	5.10%	76.63%

* Complete data for these schedules is not available prior to 2022.

See Notes to the Required Supplementary Information

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF EMPLOYER CONTRIBUTIONS - PENSION
LAST 10 FISCAL YEARS

NORHT DAKOTA TEACHERS' FUND FOR RETIREMENT

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2022	$ 235,428	$ (235,428)	$ -	$ 1,846,494	12.75%

NORTH DAKOTA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2022	$ 42,756	$ (42,756)	$ -	$ 571,753	7.48%

* Complete data for these schedules is not available prior to 2022.

See Notes to the Required Supplementary Information

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2022	$ 4,471	$ (4,471)	$ -	$ 392,158	1.14%

* Complete data for these schedules is not available prior to 2022.

See Notes to the Required Supplementary Information

NOTE 1 CHANGES OF ASSUMPTIONS

TFFR Pension Plan

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.

NDPERS Pension Plan

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

NDPERS OPEB

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

NOTE 2 CHANGES OF BENEFIT TERMS

NDPERS Pension Plan

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.

NDPERS OPEB

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

SUPPLEMENTARY INFORMATION

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal AL Number	Pass-Through Number	Expenditures
U.S. DEPARTMENT OF EDUCATION			
Direct Awards:			
Indian Education Grants to Local Educational Agencies	84.060A		$ 44,573
Impact Aid	84.041		1,658,141
Passed through North Dakota Department of Public Instruction:			
Title I - Grants to Local Educational Agencies	84.010	F84010	517,274
Rural Education	84.358B	F84358B	5,229
Supporting Effective Instruction State Grants	84.367	F84367	70,764
Student Support and Academic Enrichment Program	84.424	F84424A	70,065
Passed through Central Regional Education Association:			
Twenty-first Century Community Learning Centers	84.287	84.287C	19,010
Education Stabilization Fund:			
COVID-19: ESSER III	84.425U	F84425U	366,495
COVID-19: ESSER II	84.425D	F84425D	371,290
Passed through North Dakota Department of Health and Human Services:			
Best in Class	84.425	F84425	60,000
Total Education Stabilization Fund			797,785
Total U.S. Department of Education			3,182,841
U.S. DEPARTMENT OF AGRICULTURE			
Passed through North Dakota Department of Public Instruction:			
School Breakfast Program	10.553	F10553	53,511
National School Lunch Program	10.555	F10555	124,087
National School Lunch Program	10.555	F10555S	8,439
National School Lunch Program	10.555	F10555C	1,697
National School Lunch Program - commodities	10.555	F10555	10,807
Summer Food Service Program for Children	10.559	F10559	13,823
Child Nutrition Cluster			212,364
State Administrative Expenses for Child Nutrition	10.560	F10560	1,733
Fresh Fruit and Vegetable Program	10.582	F10582	6,957
COVID-19: Pandemic EBT Administrative Costs	10.649	F10649	614
Total U.S. Department of Agriculture			221,668
U.S. DEPARTMENT OF THE INTERIOR			
Direct Awards:			
477 Cluster:			
Indian Education - Assistance to Schools	15.130		8,584
Total U.S. Department of the Interior			8,584
Total expenditures of federal awards			$ 3,413,093

See Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 INDIRECT COST RATE

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

NOTE 3 BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards represent amounts expended from federal programs during the year ended June 30, 2023 based on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Solen Public School District No. 3, it is not intended to and does not present the financial positions, changes in net position, or cash flows of Solen Public School District No. 3. The amounts reported on the schedule have been reconciled to and are in agreement with amounts recorded in the accounting records from which the financial statements have been reported.

NOTE 4 NON-CASH AWARDS

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

BradyMartz

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
Solen Public School District No. 3
Solen, North Dakota

We were engaged to audit the Statement of Net Position and Balance Sheet, 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, of Solen Public School District No. 3, as of June 30, 2022, and have issued our report thereon dated March 7, 2024. Our report disclaims an opinion on the Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balance, and the related notes to the financial statements because we were unable to audit opening fund balances.

Report on Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statements listed in the first paragraph, we considered Solen Public School District No. 3's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Solen Public School District No. 3's internal control. Accordingly, we do not express an opinion on the effectiveness of Solen Public School District No. 3's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 through 2022-011 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2022-005 through 2022-011.

District's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Solen Public School District No. 3's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Solen Public School District No. 3's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

Brady Martz

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

March 7, 2024

BradyMartz

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
Solen Public School District No. 3
Solen, North Dakota

Report on Compliance for Each Major Federal Program

Adverse, Unmodified and Disclaimer of Opinions

We have audited Solen Public School District No. 3's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Solen Public School District No. 3's Major Federal Programs ESSER and Impact Aid, for the year ended June 30, 2022; and we were engaged to audit Solen Public School District No. 3's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Title I, for the year ended June 30, 2022. Solen Public School District No. 3's major federal programs are identified in the Summary of Opinions section of our report.

Summary of Opinions

Major Federal Program	*Type of Opinion*
ESSER – Elementary	Unmodified
Title I	Disclaimer
Impact Aid	Adverse

Disclaimer of Opinion on Title I

We do not express an opinion on Solen Public School District No. 3's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Title I.

Because of the significance of the matter described in the Basis for Disclaimer of Opinion on Title I section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on Title I.

Adverse Opinion on AL #84.041 Impact Aid

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, Solen Public School District No. 3 did not comply, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Impact Aid for the year ended June 30, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Solen Public School District No. 3 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2022.

Basis for Disclaimer of Opinion

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain audit evidence supporting the District's compliance with the allowable costs applicable to the Title I as described in finding numbers 2022-009. As a result of these matters, we were unable to determine whether the District complied with the requirements applicable to Title I.

Basis for Adverse and Unmodified Opinions

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

We are required to be independent of Solen Public School District No. 3 and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of Solen Public School District No. 3's compliance with the compliance requirements referred to above.

Matter Giving Rise to Adverse Opinion on AL #84.041 Impact Aid

As described in the accompanying schedule of findings and questioned costs, Solen Public School District No. 3 did not comply with requirements regarding Assistance Listing No. 84.041 Impact Aid for reporting as described in finding 2022-008. Compliance with such requirements is necessary, in our opinion, for Solen Public School District No. 3 to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Solen Public School District No. 3's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Auditor's Responsibilities for the Audit of Compliance for Title I

Our responsibility is to conduct an audit of compliance in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion on Title I section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on compliance.

We are required to be independent of Solen Public School District No. 3 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

Auditor's Responsibilities for the Audit of Compliance for Major Federal Programs ESSER and Impact Aid

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Solen Public School District No. 3's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Solen Public School District No. 3's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Solen Public School District No. 3's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Solen Public School District No. 3's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Solen Public School District No. 3's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-009 and 2022-011. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Solen Public School District No. 3's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Solen Public School District No. 3's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-008 through 2022-011 to be material weaknesses.

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

Government Auditing Standards requires the auditor to perform limited procedures on Solen Public School District No. 3's responses to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Solen Public School District No. 3's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Brady Martz

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

March 7, 2024

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified: Statement of Net Position, and Balance Sheet
	Disclaimer: Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances
Internal control over financial reporting:	
Material weakness(es) identified?	x yes ___ no
Significant deficiency(ies) identified?	___ yes x none reported
Noncompliance material to financial statements noted?	x yes ___ no

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	x yes ___ no
Significant deficiency(ies) identified?	___ yes x none reported
Type of auditor's report issued on compliance for major programs:	Unmodified - #84.425 ESSER Adverse - #84.041 IMPACT AID Disclaimer - #84.010 TITLE I
Any audit findings disclosed that are Required to be reported in accordance with 2 CFR 200.516(a)?	x yes ___ no

AL Number(s)	Name of Federal Program or Cluster
84.041	Impact Aid
84.425	ESSER – Elementary and Secondary School Emergency Relief Fund
84.010	Title I

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as a low-risk auditee?	___ yes x no

Section I – Financial Statement Findings

2022-001 Financial Statement Preparation – Material Weakness

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

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

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

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

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

Views of Responsible Officials and Planned Corrective Actions
The Solen Public School Board has decided to accept the degree of risk associated with the district not preparing its own financial statements in accordance with generally accepted accounting principles due to the time and expense necessary to have staff prepare the statements prior to audit.

Indication of Repeat Finding
This is a new finding.

2022-002: Adjusting Journal Entries – Material Weakness

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

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

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

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

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

Views of Responsible Officials and Planned Corrective Actions
The District will implement stronger controls over the adjusting journal entry process to prevent errors and misstatements and to ensure that the general ledger accounts are properly reflected in accordance with GAAP.

Indication of Repeat Finding
This is a repeat finding of 2021-004.

2022-003: Segregation of Duties – Material Weakness

Criteria
A proper system of internal control has the proper segregation of duties between authorization, custody, record keeping and reconciliation.

Condition
There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keepings and reconciliation.

Cause
The District is subject to size and budget constraints limiting the number of personnel within the accounting department.

Effect
The design of internal control over financial reporting could adversely affect the ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Recommendation
We recommend the District review their internal controls over the accounting functions to determine if additional procedures can be implemented that are cost effective. The board should constantly be aware of this condition. Compensating controls that mitigate the related risks could be (or are) provided through appropriate oversight of the performance of these functions and review of the financial reports by individuals with knowledge of current operations and accounting principles.

Views of Responsible Officials and Planned Corrective Actions
The District will conduct a thorough analysis of existing roles and responsibilities, and processes within the business office to identify areas where the segregation of duties is lacking or weak. The district will initially look at a long-term plan to restructure the staff in the business office.

Indication of Repeat Finding
This is a repeat finding of 2021-005.

2022-004: Fraud Risk Assessment – Material Weakness

Criteria
Fraud risk governance is a key component of entity-wide governance and the internal control environment according to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework principles. This entity wide governance addresses the manner in which the school board and management meet their respective obligations to achieve the entities goals in reporting, reliance, and accountability.

Condition
Solen Public School District No. 3 did not prepare a fraud risk assessment of the entire entity.

Cause
Solen Public School District No. 3 may not have considered preparing a fraud risk assessment.

Effect
If Solen Public School District No. 3 does not prepare an adequate fraud risk assessment, there is an increased risk of fraudulent financial reporting, asset misappropriation, and corruption.

Recommendation
We recommend Solen Public School District No. 3 prepare a fraud risk assessment in order to identify areas of concern within the entity to appropriately mitigate the risk of fraudulent financial reporting, misappropriation of assets, and corruption.

Views of Responsible Officials and Planned Corrective Actions
The District will conduct a comprehensive review to identify gaps, weaknesses, and/or deficiencies in the current fraud risk assessment process. Reviewing and updating fraud risk assessment criteria and factors to ensure alignment with industry best practices and regulatory requirements.

Indication of Repeat Finding
This is a repeat finding of 2021-006.

2022-005: Mill Levy Calculation – Material Weakness

Criteria
N.D.C.C. §57-15-31(1) states, "The amount to be levied by any county, city, township, school district, park district, or other municipality authorized to levy taxes must be computed by deducting from the amount of estimated expenditures for the current fiscal year as finally determined, plus the required reserve fund determined upon by the governing board from the past experience of the taxing district, the total of the following items:

a. The available surplus consisting of the free and unencumbered cash balance;
b. Estimated revenues from sources other than direct property taxes;
c. The total estimated collections from tax levies for previous years;
d. Expenditures that must be made from bond sources;
e. The amount of distributions received from an economic growth increment pool under section 57-15-61; and
f. The estimated amount to be received from payments in lieu of taxes on a project under section 40-57.1-03.

Condition
Solen Public School District No. 3 did not have supporting documentation for its mill levy calculation to ensure the computation is in accordance with N.D.C.C. §57-15-31(1).

Cause
Solen Public School District No. 3 may not have been aware of the requirements of N.D.C.C. §57-15-31(1).

Effect
The attributes identified in N.D.C.C. §57-15-31(1) are key components in the tax levy calculation in any budget year. Thus, Solen Public School District No. 3 may have improperly calculated the tax levies.

Recommendation
We recommend Solen Public School District No. 3 maintain supporting documentation for all elements required for its mill levy calculation to ensure the computation is in compliance with all aspects of N.D.C.C. §57-15-31(1).

Views of Responsible Officials and Planned Corrective Actions
The district will conduct a comprehensive review of the Mill Levy Calculation process to identify the root cause of the material weakness. The analysis will involve examining procedures, documentation, budgets, and the personnel involved in determining the calculation. The district will continue to reach out to the County Auditor's Office to attempt to establish better communication between their office and the district administration.

Indication of Repeat Finding
This is a repeat finding of 2021-008.

2022-006 School District Financial Report – Material Weakness

Criteria
The North Dakota School District Financial Accounting and Reporting Manual, provided by the Department of Public Instruction, states: "The School District Financial Report is the primary source of financial information regarding the revenue and expenditures for K-12 education in North Dakota. It is used for many purposes, including data for interdistrict tuition, public information, federal reporting, indirect costs and legislative budget and policy making decisions."

Condition
Solen Public School District No. 3 submitted the School District Financial Report for the 2021-2022 school year to the North Dakota Department of Public Instruction that contained revenues, expenditures, and fund balances that did not agree to the underlying financial records.

Cause
Solen Public School District No. 3 has not established policies and procedures to ensure amounts included in the School District Financial Report agree to the financial records such as the trial balance and general ledger.

Effect
Solen Public School District No. 3 financial information may not be accurately reported to the Department of Public Instruction, which could impact its funding.

Recommendation
We recommend Solen Public School District No. 3 establish policies and procedures to ensure the School District Financial Report is accurate to the underlying financial records. Further, we recommend Solen Public School District No. 3 contact the Department of Public Instruction to determine if additional information is required.

Views of Responsible Officials and Planned Corrective Actions
The district will evaluate the existing financial reporting processes to identify weaknesses, inefficiencies, or areas for improvement. The district will have a new Superintendent hired for the 2024-2025 school year and will be immediately involved in the financial reporting to the state going forward.

Indication of Repeat Finding
This is a repeat finding of 2021-012.

2022-007: Budget Preparation – Material Weakness

Criteria
N.D.C.C. §57-15-13 states "School district taxes must be levied by the governing body of each school district on or before the tenth day of August of each year. The governing body of the school district may increase or decrease its tax levy and budget for the current fiscal year on or before the tenth day of October of each year but the certification must be filed with the county auditor within the time limitations under section 57-15-31.1. Taxes for school district purposes must be based upon an itemized budget statement which must show the complete expenditure program of the district for the current fiscal year and the sources of the revenue from which it is to be financed. The school board of each public school district, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the district and to provide a sinking fund to pay and discharge the principal thereof at maturity."

Condition
Solen Public School District No. 3 did not prepare a budget in compliance with N.D.C.C. §57-15-13. The District did not have supporting documentation for the 2021-2022 budget.

Cause
The District is subject to size and budget constraints limiting the number of personnel within the accounting department.

Effect
Solen Public School District No. 3 may have improperly calculated the tax levies. In addition, the District may not have been in compliance with N.D.C.C. §57-15-13.

Recommendation
We recommend Solen Public School District No. 3 establish procedures to ensure compliance with all aspects of N.D.C.C. §57-15-13 and maintain appropriate support documentation for estimates within the budget.

Views of Responsible Officials and Planned Corrective Actions
The District hired a new business manager and this resolved this issue going forward. The business manager will work closely with the superintendent to ensure the to make sure the budget requirements of the state of North Dakota are being met.

Indication of Repeat Finding
This is a repeat finding of 2021-007.

Section III – Federal Award Findings and Questioned Costs

2022–008 Enrollment Reporting – Material Weakness
AL #84.041 Impact Aid

Criteria
Districts are required to report student enrollment information on the Impact Aid application. The administration of the Impact Aid program depends heavily on the accuracy and timeliness of the enrollment information reported by the institution.

Condition
Solen Public School District No. 3 was unable to provide for the student account numbers submitted on the Impact Aid application.

Cause
Proper support was not kept by the District.

Effect
Solen Public School District No. 3 is not in compliance with enrollment reporting requirements.

Recommendation
We recommend Solen Public School District No. 3 keep support that verifies student count number submitted on the Impact Aid application.

Views of Responsible Officials and Planned Corrective Actions
The district will implement measures to enhance the accuracy and verification of data reported on the Federal Impact Aid Application. The Superintendent and Business Manager will work together in the future to implement validation checks and verification processes to ensure there is accurate documentation to verify information on the application.

Indication of Repeat Finding
This is a new finding.

2022–009 Allowable Costs/Costs Principals – Material Weakness
AL #84.010 TITLE I

Criteria
The District should charge costs to the grant which are allowable. Also, documentation should be kept that supports that employees are being paid the correct amounts based on approved rates to ensure only approved amounts are charged to the grant.

Condition
Incomplete financial records were kept by the District.

Cause
The District did not properly execute its policies and procedures for review of payroll disbursements.

Effect
Grant awards potentially overcharged.

Recommendation
We recommend the District follow and properly execute its policies and procedures it has in place related to its payroll expenditures.

Views of Responsible Officials and Planned Corrective Actions
The district will review and update existing polices and procedures related to allowable cost principles to address deficiencies identified in this finding. The administration will ensure that staff understand the principles of allowable costs and compliance requirements.

Indication of Repeat Finding
This is a repeat finding of 2021-017.

2022–010 Allowable Costs/Costs Principals – Material Weakness
AL #84.425 ESSER

Criteria
The District should charge costs to the grant which are allowable. Also, documentation should be kept that supports that employees are being paid the correct amounts based on approved rates to ensure only approved amounts are charged to the grant.

Condition
Of the 22 payroll transactions tested, we noted four instances where contracts were incorrectly paid out and six instances where there was no support for approved payrates.

Questioned Costs
$830

Cause
The District did not properly execute its policies and procedures for review of payroll disbursements.

Effect
Grant awards potentially overcharged.

Recommendation
We recommend the District follow and properly execute its policies and procedures it has in place related to its payroll expenditures.

Views of Responsible Officials and Planned Corrective Actions
The district will review and update existing policies and procedures related to allowable cost principles to address deficiencies identified in this finding. The administration will ensure that staff understand the principles of allowable costs and compliance requirements.

Indication of Repeat Finding
This is a new finding.

2022–011 Untimely Filing of Data Collection Form – Material Weakness

Criteria
Uniform Guidance 2 CFR 200.512(a) states in part: "The audit must be completed, and the data collection form must be submitted within the earlier of 30 calendar days after receipt of the auditor's report or nine months after the end of the audit period."

Condition
Solen Public School District No. 3 did not submit its Data Collection Form to the Federal Audit Clearinghouse within nine months of its year-end.

Cause
Audited financial statements were not complete; therefore, the Data Collection Form could not be filed timely.

Effect
Solen Public School District No. 3 is not in compliance with the filing requirement deadline.

Recommendation
We recommend Solen Public School District No. 3 comply with the Uniform Guidance 2 CFR 200.512(a) by submitting the Data Collection Form within the allowable time requirements.

Views of Responsible Officials and Planned Corrective Actions
The district will complete the fiscal year 2023 audit requirement on or before the March 31, 2024 deadline. Going forward the audits will be completed on time and this finding will be resolved.

Indication of Repeat Finding
This is a repeat finding of 2021-019.

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEARS ENDED JUNE 30, 2022

Section I – Financial Statement Findings

2021-001 PRIOR PERIOD ERRORS – MATERIAL WEAKNESS

Condition
During testing, it was found that Solen Public School No. 3 had unsupported prior period adjustments to fund balance which also effected opening balance Net Position. Management could not provide support for these opening balance adjustments that were found in the clients software.

Effect
There is an increased risk of material misstatement of the Solen Public School District No.3's financial statements whether due to fraud or error. Furthermore, Solen Public School District No. 3 received a modified opinion on the financial statements of the governmental activities, and each major fund.

Cause
Solen Public School District No. 3 had turnover of accounting staff responsible for the general ledger, which included errors that were not corrected prior to audit fieldwork.

Criteria
Solen Public School District No. 3 is responsible for the adjusting entries to its annual financial statements and to ensure the financial statements are reliable, accurate, free of material misstatement, and in accordance with the modified cash basis of accounting.

Prior Recommendation
No.

Recommendation
We recommend Solen Public School District No. 3 review the financial statement adjustments and maintain support for any future adjustments.

Solen Public School District's Response
See Corrective Action Plan

Current Status
A similar finding was shown as 2022-002.

2021-002 TRANSFER ADJUSTMENTS – MATERIAL WEAKNESS

Condition
During testing, it was found that Solen Public School No. 3 required adjustments due to the following:

- Improper revenue and expenditure general ledger classifications
- Transfers between funds were not recorded.
- Cash balance errors

Financial Statement Adjustments are Listed Below

June 30, 2021 Fund	Cash Adjustment	Transfers In Adjustment	Transfers Out Adjustment	Revenue Adjustment	Expense Adjustment
General Fund	$ 52,172	$ --	$ 44,000	$ 259,462	$ 303,462
Building Fund	115,697	(44,000)	--	--	--
Total	$ 167,869	$ (44,000)	$ 44,000	$ 259,462	$ 303,462

Effect
There is an increased risk of material misstatement of the Solen Public School District No.3's financial statements whether due to fraud or error. Furthermore, Solen Public School District No. 3 received a modified opinion on the financial statements of the governmental activities, and each major fund.

Cause
Solen Public School District No. 3 had turnover of accounting staff responsible for the general ledger, which included errors that were not corrected prior to audit fieldwork.

Criteria
Solen Public School District No. 3 is responsible for the adjusting entries to its annual financial statements and to ensure the financial statements are reliable, accurate, free of material misstatement, and in accordance with the modified cash basis of accounting.

Prior Recommendation
Yes.

Recommendation
We recommend Solen Public School District No. 3 review the financial statement adjustments and resolve issues relating to revenue and expenditure classification, transfer entries, and cash balance errors.

Solen Public School District's Response
See Corrective Action Plan

Current Status
A similar finding was shown as 2022-002.

2021 - 003 BANK RECONCILIATION ERRORS – MATERIAL WEAKNESS

Condition
During testing of the June 30, 2020 and June 30, 2021 bank reconciliations of Solen Public School District No. 3, there were errors in the amounts of $167,869 and $211,869 that were required to be adjusted into the financial statements during the year. The adjustments to each fund are shown in the cash adjustment column in Finding 2021-002. Additionally, there was an unreconciled net difference in the amount of $32,145 and $30,769 for June 30, 2021 and June 30, 2020, respectively.

Effect
There is an increased risk of material misstatement to Solen Public School District No. 3's financial statements whether due to error or fraud if bank reconciliations are not complete and accurate.

Cause
Solen Public School District No. 3 had turnover of accounting staff that prepare bank reconciliations, which included errors that were not corrected prior to audit fieldwork.

Criteria
The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to bank reconciliations, management is responsible for policies and procedures for accurate and timely bank reconciliations.

Prior Recommendation
Yes.

Recommendation
We recommend Solen Public School District No. 3 resolve its unreconciled net difference, review its current procedures, and ensure that all bank reconciliations are accurately completed on a monthly basis.

Solen Public School District's Response
See Corrective Action Plan

Current Status
This finding was resolved in the current year.

2021 - 004 AUDIT ADJUSTMENTS – MATERIAL WEAKNESS

Condition
Various auditor-identified adjusting entries for the Schedule of Expenditures of Federal Awards, Capital Assets, and Revenues were proposed to properly reflect the financial statements in accordance with the modified cash basis of accounting. The financial statements reflect the adjustments and were approved by management.

Effect
Solen Public School District No. 3's financial statements would have been materially misstated without the audit adjustments.

Cause
Solen Public School District No. 3 did not have established policies and procedures for maintaining accurate financial statements.

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

Prior Recommendation
No.

Recommendation
We recommend Solen Public School District No. 3 review all adjusting entries to the financial statements to properly reflect the financial statements are in accordance with the modified cash basis of accounting.

Solen Public School District's Response
See Corrective Action Plan

Current Status
This finding was repeated as 2022-002.

2021 - 005 LACK OF SEGREGATION OF DUTIES – MATERIAL WEAKNESS

Condition
Solen Public School District No. 3 has one business manager responsible for the primary accounting functions. Turnover in the business manager position also limited the number of individuals available to properly segregate primary accounting functions.

Effect
The lack of segregation of duties increases the risk of fraud and the risk of misstatement of Solen Public School District No. 3's financial condition whether due to error of fraud.

Cause
Management has chosen to allocate its economic resources to other functions of Solen Public School District No. 3.

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

Prior Recommendation
Yes.

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

• Expenditures, financial statements, bank reconciliations, credit memos, and payroll registers should be analyzed and reviewed by a responsible official.

• Where possible, segregate the functions of approval, posting, custody of assets, and reconciliation as they relate to any amounts which impact the financial statements.

Solen Public School District's Response
See Corrective Action Plan

Current Status
This finding was repeated as 2022-003.

2021 - 006 FRAUD RISK ASSESSMENT – MATERIAL WEAKNESS

Condition
Solen Public School District No. 3 did not prepare a fraud risk assessment of the entire entity.

Effect
If Solen Public School District No. 3 does not prepare an adequate fraud risk assessment, there is an increased risk of fraudulent financial reporting, asset misappropriation, and corruption.

Cause
Solen Public School District No. 3 may not have considered preparing a fraud risk assessment.

Criteria
Fraud risk governance is a key component of entity-wide governance and the internal control environment according to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework principles. This entity wide governance addresses the manner in which the school board and management meet their respective obligations to achieve the entities goals in reporting, reliance, and accountability.

Prior Recommendation
Yes.

Recommendation
We recommend Solen Public School District No. 3 prepare a fraud risk assessment in order to identify areas of concern within the entity to appropriately mitigate the risk of fraudulent financial reporting, misappropriation of assets, and corruption.

Solen Public School District's Response
See Corrective Action Plan

Current Status
This finding was repeated as 2022-004.

2021 - 007 BUDGET PREPARATION – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE

Condition
Solen Public School District No. 3 did not prepare a budget in compliance with N.D.C.C. §57-15-13. The District did not have supporting documentation for the 2020-2021 and 2019-2020 budget.

Effect
Solen Public School District No. 3 may have improperly calculated the tax levies. In addition, the District may not have been in compliance with N.D.C.C. §57-15-13.

Cause
Solen Public School District No. 3 may not have been aware of the requirements of N.D.C.C. §57-15-13. In addition, Solen Public School District No. 3 did not have established policies and procedures for maintaining support documentation for estimates.

Criteria
N.D.C.C. §57-15-13 states "School district taxes must be levied by the governing body of each school district on or before the tenth day of August of each year. The governing body of the school district may increase or decrease its tax levy and budget for the current fiscal year on or before the tenth day of October of each year but the certification must be filed with the county auditor within the time limitations under section 57-15-31.1. Taxes for school district purposes must be based upon an itemized budget statement which must show the complete expenditure program of the district for the current fiscal year and the sources of the revenue from which it is to be financed. The school board of each public school district, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the district and to provide a sinking fund to pay and discharge the principal thereof at maturity."

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to estimates, management is responsible for adequate internal controls surrounding the use of estimates during the budget process.

Prior Recommendation
No.

Recommendation
We recommend Solen Public School District No. 3 establish procedures to ensure compliance with all aspects of N.D.C.C. §57-15-13 and maintain appropriate support documentation for estimates within the budget.

Solen Public School District's Response
See Corrective Action Plan

Current Status
This finding was repeated as 2022-008.

2021 - 008 MILL LEVY CALCULATION – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE

Condition
Solen Public School District No. 3 did not have supporting documentation for its mill levy calculation to ensure the computation is in accordance with N.D.C.C. §57-15-31(1).

Effect
The attributes identified in N.D.C.C. §57-15-31(1) are key components in the tax levy calculation in any budget year. Thus, Solen Public School District No. 3 may have improperly calculated the tax levies.

Cause
Solen Public School District No. 3 may not have been aware of the requirements of N.D.C.C. §57-15-31(1).

Criteria
N.D.C.C. §57-15-31(1) states, "The amount to be levied by any county, city, township, school district, park district, or other municipality authorized to levy taxes must be computed by deducting from the amount of estimated expenditures for the current fiscal year as finally determined, plus the required reserve fund determined upon by the governing board from the past experience of the taxing district, the total of the following items:

a) The available surplus consisting of the free and unencumbered cash balance;
b) Estimated revenues from sources other than direct property taxes;
c) The total estimated collections from tax levies for previous years;
d) Expenditures that must be made from bond sources;
e) The amount of distributions received from an economic growth increment pool under section 57-15-61; and
f) The estimated amount to be received from payments in lieu of taxes on a project under section 40-57.1-03.

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to estimates, management is responsible for adequate internal controls surrounding the use of estimates during the budget process.

Prior Recommendation
No.

Recommendation
We recommend Solen Public School District No. 3 maintain supporting documentation for all elements required for its mill levy calculation to ensure the computation is in compliance with all aspects of N.D.C.C. §57-15-31(1).

Solen Public School District's Response
See Corrective Action Plan

Current Status
This finding was repeated as 2022-005.

2021 - 009 LACK OF SUPPORTING DOCUMENTATION – MATERIAL WEAKNESS

Condition
Solen Public School District No. 3 did not obtain adequate supporting documentation for various expenditures as follows:

<u>2020:</u>
- 6 checks, out of 45 tested, written to various vendors totaling $6,303 with projected errors of $481,621.

<u>2021:</u>
- 4 checks, out of 45 tested, written to various vendors totaling $1,836 with projected errors of $171,845.

Solen Public School District No. 3 did not have supporting documentation for its miscellaneous revenue receipts that were tested totaling $1,340,310 and $996,798 for 2021 and 2020, respectively.

Effect
Solen Public School District No. 3 may have paid for services that were not provided by employees or vendors. Also, without proper support documentation of revenues it is possible revenues could be misclassified.

Cause
Solen Public School District No. 3 did not have proper policies and procedures to ensure adequate supporting documentation for miscellaneous revenues and expenditures was obtained.

Criteria
The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to invoices to be paid by the school district and the classification of revenues, management is responsible for adequate internal controls surrounding the review process.

Prior Recommendation
Yes.

Recommendation
We recommend Solen Public School District No. 3 establish policies and procedures to ensure all supporting documentation for expenditures and miscellaneous revenues are obtained.

Solen Public School District's Response
See Corrective Action Plan

Current Status
A similar finding was shown as 2022-010.

2021 - 010 BOARD APPROVAL OF EXPENDITURES – MATERIAL WEAKNESS

Condition
Solen Public School District did not have adequate board approval for the following:

2020:
- 22 expenditures out of 45 tested, totaling $1,378,953.47.

2021:
- 25 expenditures out of 45 tested, totaling $593,227.14.

Effect
Without approval of Solen Public School District No. 3 expenditures, the School District exposes itself to risk of loss of assets, potential liabilities, and damage to the School District's reputation, whether due to error or fraud.

Cause
Solen Public School District No. 3 does not have policies and procedures in place to ensure all invoices are included in the listing for board approval.

Criteria
The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to expenditures paid by the school district, management is responsible for adequate internal controls surrounding the approval process.

Prior Recommendation
Yes.

Recommendation
We recommend Solen Public School District No. 3 establish policies and procedures to ensure all expenditures are approved by the school board.

Solen Public School District's Response
See Corrective Action Plan

Current Status
This finding was resolved in the current year.

2021 - 011 BOND COVENANT VIOLATION – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE

Condition
As of June 30, 2021, Solen Public School District No. 3 did not deposit proceeds from the Certificates of Indebtedness, Series 2019 into a separate construction fund as listed in the covenants.

Effect
Solen Public School District No. 3 is in violation of the debt covenant of the Certificates of Indebtedness, Series 2019.

Cause
Solen Public School District No. 3 may not have been aware of the requirements of the debt covenants of the Certificates of Indebtedness, Series 2019.

Criteria
The Certificates of Indebtedness, Series 2019 debt covenants state: "$393,300 of the Sale Proceeds of the Certificates will be deposited in a separate fund (the "Construction Fund") and used to finance school construction and building improvements (the "Project")."

Prior Recommendation
No.

Recommendation
We recommend Solen Public School District No. 3 review all debt covenants to ensure compliance with the Certificates of Indebtedness, Series 2019 bond covenants.

Solen Public School District's Response
See Corrective Action Plan

Current Status
This finding was resolved in the current year.

2021- 012 SCHOOL DISTRICT FINANCIAL REPORT – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE

Condition
Solen Public School District No. 3 submitted the School District Financial Report for the 2019-2020 and 2020-2021 school years to the North Dakota Department of Public Instruction that contained revenues, expenditures, and fund balances that did not agree to the underlying financial records.

Effect
Solen Public School District No. 3 financial information may not be accurately reported to the Department of Public Instruction, which could impact its funding.

Cause
Solen Public School District No. 3 has not established policies and procedures to ensure amounts included in the School District Financial Report agree to the financial records such as the trial balance and general ledger.

Criteria
The North Dakota School District Financial Accounting and Reporting Manual, provided by the Department of Public Instruction, states: "The School District Financial Report is the primary source of financial information regarding the revenue and expenditures for K-12 education in North Dakota. It is used for many purposes, including data for interdistrict tuition, public information, federal reporting, indirect costs and legislative budget and policy making decisions."

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to the school district financial report, management is responsible for adequate internal controls surrounding the submission of the school district financial report to the department of public instruction.

Prior Recommendation
Yes.

Recommendation
We recommend Solen Public School District No. 3 establish policies and procedures to ensure the School District Financial Report is accurate to the underlying financial records. Further, we recommend Solen Public School District No. 3 contact the Department of Public Instruction to determine if additional information is required.

Solen Public School District's Response
See Corrective Action Plan

Current Status
This finding was repeated as 2022-007.

2021-013 IMPROPER RECORDING OF PAYROLL LIABILITIES – MATERIAL WEAKNESS

Condition
The financial statements of Solen Public School District No.3 are prepared on the modified cash basis of accounting. Solen Public School District No. 3's general ledger does have payroll liabilities included that were accurately removed during the financial statement preparation in order to convert the general ledger into modified cash basis financial statements. However, the payroll liabilities that are recorded in the School District's general ledger have a debit balance at June 30, 2020 in the amount to of $517,519 which has continued to increase and has a debt balance in the amount of $939,803 at June 30, 2021. Payroll liabilities typically do not have a debit balance as this infers the school district has an asset related to payroll liabilities. Payroll liabilities typically have a credit balance.

Effect
There is an increased risk of material misstatement of the Solen Public School District No.3's financial statements whether due to fraud or error. Furthermore, Solen Public School District No. 3 received a modified opinion on the financial statements of the governmental activities, and each major fund.

Cause
Solen Public School District No. 3 had turnover of accounting staff responsible for the general ledger. Management is aware of the current issue and is looking to correct the issue after the audit.

Criteria
The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to payroll liabilities and related activity incurred by the school district, management is responsible for adequate internal controls surrounding the recording of transactions.

Prior Recommendation
No.

Recommendation
We recommend Solen Public School District No. 3 review its general ledger to ensure payroll liabilities are accurately recorded.

Solen Public School District's Response
See Corrective Action Plan

Current Status
A similar finding was shown as 2022-002.

Section II – Federal Award Findings and Questioned Costs

2021-014 IMPACT AID GRANT – INTERNAL CONTROLS AND WAGE RATE REQUIREMENTS – AL# 84.041 – MATERIAL WEAKNESS AND MATERIAL NON-COMPLIANCE

Condition
Solen Public School District No. 3 did not comply with the Wage Rate Requirements applicable to the Impact Aid Grant funds for the construction of the new school. Further, Solen Public School District No. 3 did not implement procedures to ensure certified payrolls are consistently received from the construction manager at risk.

Effect
Solen Public School District No. 3 was not in compliance with the Wage Rate Requirements for Impact Aid. In addition, laborers may not have been paid the prevailing wage rates. Solen Public School District No. 3 may have also charged unallowable expenditures to the grant.

Cause
Solen Public School District No. 3 may not have been aware of the Wage Rate Requirements applicable to construction contracts in excess of $2,000 financed by federal assistance funds. Solen Public School District No. 3 may not have been aware of the requirement to document and develop internal controls related to the federal programs.

Criteria
All laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of $2,000 financed by federal assistance funds must be paid wages no less than those established for the locality of the project (prevailing wage rates) by the Department of Labor - 40 USC 3141-3144, 3146, and 3147.

"Standards for Internal Control in the Federal Government" (Green Book) requires management to design, implement, and operate internal controls to achieve its objectives related to operations, reporting, and compliance. Management is to design appropriate types of control activities for the entity's internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system.

Uniform Guidance 2 CFR 200.303(a) states “The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

Questioned Costs
None.

Prior Recommendation
No.

Recommendation
We recommend Solen Public School District No. 3 implement procedures to ensure compliance with the Wage Rate Requirements of 40 USC 3141-3144, 3146, and 3147 and Uniform Guidance 2 CFR 200.303(a).

Solen Public School District's Response
See Corrective Action Plan

Current Status
This finding was resolved in the current year.

2021 - 015 IMPACT AID GRANT – BOARD APPROVAL OF EXPENDITURES – AL# 84.041 – MATERIAL WEAKNESS

Condition
Solen Public School District No. 3's Board did not have proper board approval for 4 construction invoices, totaling $1,095,590, out of 9 tested.

Context
The audit team randomly selected 9 invoices from a sample of 33 invoices with a population totaling $5,737,926. Of the 9 invoices selected randomly, 4 of the invoices with a population of $1,095,590, did not have proper board approval. When sampling was performed, nonstatistical sampling was performed.

Effect
Solen Public School District No. 3 may be subject to an increased risk of errors, fraudulent financial reporting, asset misappropriation, and corruption.

Cause
Solen Public School District No. 3 has not established policies and procedures to ensure all invoices are included in the listing for board approval.

Criteria
"Standards for Internal Control in the Federal Government" (Green Book) requires management to design, implement, and operate internal controls to achieve its objectives related to operations, reporting, and compliance. Management is to design appropriate types of control activities for the entity's internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system.

Questioned Costs
None.

Prior Recommendation
Yes.

Recommendation
We recommend Solen Public School District No. 3 establish policies and procedures to ensure all invoices are included in the listing for board approval.

Solen Public School District's Response
See Corrective Action Plan

Current Status
This finding was resolved in the current year.

2021 - 016 TITLE I – LACK OF SUPPORTING DOCUMENTAION – AL# 84.010 – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE

Condition
Solen Public School District No. 3 did not obtain adequate supporting documentation for expenditures charged to the Title I grant program resulting in a total questioned cost of $37,857.

Context
The audit team randomly selected 60 invoices from a sample of 431 invoices with a population totaling $1,082,004. Of the 60 invoices selected randomly, 30 of the invoices with a population of $37,857 and projected questioned cost of $289,026, did not have proper supporting documentation. When sampling was performed, nonstatistical sampling was performed.

Effect
Solen Public School District No. 3 may have charged unallowable expenditures to the grant program.

Cause
Solen Public School District No. 3 may not have been aware of the documentation requirements for costs to be considered allowable under Federal awards.

Criteria
Uniform Guidance 2 CFR 200.403(g) requires costs to be adequately documented.

Uniform Guidance 2 CFR 200.303(a) states "The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)."

"Standards for Internal Control in the Federal Government" (Green Book) requires management to design, implement, and operate internal controls to achieve its objectives related to operations, reporting, and compliance. Management is to design appropriate types of control activities for the entity's internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system.

Questioned Costs
$37,857.

Prior Recommendation
No.

Recommendation
We recommend Solen Public School District No. 3 ensure all supporting documentation for expenditures is obtained for all costs charged to the Title I grant program.

Solen Public School District's Response
See Corrective Action Plan

Current Status
This finding was resolved in the current year.

2021 – 017 TITLE I – INTERNAL CONTROLS AND REQUEST FOR REIMBURSEMENT – AL# 84.010 – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE

Condition
Solen Public School District No. 3 did not have supporting documentation for the requests for reimbursements for Title I. Further, Solen Public School District No. 3 did not establish and maintain effective internal controls to ensure expenditures were being properly approved.

Context
The audit team randomly selected 2 requests for reimbursements out of 7 requests for reimbursement with a population of $89,248. Additionally, 7 requests for reimbursement were judgmentally selected out of 19 request for reimbursement with a total population of $672,441. Of the 9 requests for reimbursement that were selected judgmentally and selected randomly, 5 of the requests of reimbursement in the amount of $115,602 did not have proper approval. Additionally, 1 request for reimbursement in the amount of $17,668 out of the 9 selected for testing did not have proper support. Total questioned cost is $97,217, which is made up of the $17,668 error that is projecting questioned costs of $49,632 and also $79,549 of requests for reimbursement that were not subject to sampling that were found to not have support. When sampling was performed, nonstatistical sampling was performed.

Effect
Solen Public School District No. 3 was not in compliance with the reporting requirements relating to the requests for reimbursement documentation. In addition, expenditures may have been incorrectly charged to the Title I program.

Cause
Solen Public School District No. 3 may not have been aware of the reporting requirements to document and develop internal controls related to the federal programs.

Criteria
Uniform Guidance 2 CFR 200.403(g) requires costs to be adequately documented.

"Standards for Internal Control in the Federal Government" (Green Book) requires management to design, implement, and operate internal controls to achieve its objectives related to operations, reporting, and compliance. Management is to design appropriate types of control activities for the entity's internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system.

Uniform Guidance 2 CFR 200.303(a) states "The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-

Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)."

Questioned Costs
$97,217

Prior Recommendation
No.

Recommendation
We recommend Solen Public School District No. 3 implement procedures to ensure compliance with the reporting requirements. We also recommend they establish and maintain internal controls over Federal awards in compliance with the Uniform Guidance 2 CFR 200.303(a).

Solen Public School District's Response
See Corrective Action Plan

Current Status
This finding was repeated as 2022-009.

2021 – 018 TITLE I – BOARD APPROVAL OF EXPENDITURES – AL# 84.010 – SIGNIFICANT DEFICIENCY

Condition
Solen Public School District No. 3's Board did not have proper board approval for 11 invoices, totaling $12,823, out of 60 tested.

Context
The audit team randomly selected 60 invoices from a sample of 431 invoices with a population totaling $1,043,640. Of the 60 invoices selected randomly, 11 of the invoices with a population of $12,823, did not have proper board approval. When sampling was performed, nonstatistical sampling was performed.

Effect
Solen Public School District No. 3 may be subject to an increased risk of errors, fraudulent financial reporting, asset misappropriation, and corruption.

Cause
Solen Public School District No. 3 has not established policies and procedures to ensure all invoices are included in the listing for board approval.

Criteria
"Standards for Internal Control in the Federal Government" (Green Book) requires management to design, implement, and operate internal controls to achieve its objectives related to operations, reporting, and compliance. Management is to design appropriate types of control activities for the entity's internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system.

Questioned Costs
None.

Prior Recommendation
No.

Recommendation
We recommend Solen Public School District No. 3 establish policies and procedures to ensure all invoices are included in the listing for board approval.

Solen Public School District's Response
See Corrective Action Plan

Current Status
This finding was resolved in the current year.

2021 – 019 UNTIMELY FILING OF THE DATA COLLECTION FORM – OTHER NONCOMPLIANCE

Condition
Solen Public School District No. 3 did not submit its Data Collection Form to the Federal Audit Clearinghouse within nine months of its year-end.

Effect
Solen Public School District No. 3 is not in compliance with the filing requirement deadline.

Cause
Audited financial statements were not complete; therefore, the Data Collection Form could not be filed timely.

Criteria
Uniform Guidance 2 CFR 200.512(a) states in part: "The audit must be completed, and the data collection form must be submitted within the earlier of 30 calendar days after receipt of the auditor's report or nine months after the end of the audit period."

Questioned Costs
None.

Prior Recommendation
No.

Recommendation
We recommend Solen Public School District No. 3 comply with the Uniform Guidance 2 CFR 200.512(a) by submitting the Data Collection Form within the allowable time requirements.

Solen Public School District's Response
See Corrective Action Plan

Current Status
This finding was repeated as 2022-011.

2022-001

Contact Person
David Drapeaux

Corrective Action Plan
The Solen Public School Board has decided to accept the degree of risk associated with the district not preparing its own financial statements in accordance with generally accepted accounting principles due to the time and expense necessary to have staff prepare the statements prior to audit.

Completion Date
On-going

2022-002

Contact Person
David Drapeaux

Corrective Action Plan
The district will implement stronger controls over the adjusting journal entry process to prevent errors and misstatements and to ensure that the general ledger accounts are properly reflected in accordance with GAAP.

Completion Date
On-going

2022-003

Contact Person
David Drapeaux

Corrective Action Plan
The district will conduct a thorough analysis of existing roles and responsibilities, and processes within the business office to identify areas where the segregation of duties is lacking or weak. The district will initially look at a long-term plan to restructure the staff in the business office.

Completion Date
On-going

2022-004

<u>Contact Person</u>
David Drapeaux

<u>Corrective Action Plan</u>
The district will conduct a comprehensive review to identify gaps, weaknesses, and/or deficiencies in the current fraud risk assessment process. Reviewing and updating fraud risk assessment criteria and factors to ensure alignment with industry best practices and regulatory requirements.

<u>Completion Date</u>
On-going

2022-005

<u>Contact Person</u>
David Drapeaux

<u>Corrective Action Plan</u>
The district will conduct a comprehensive review of the Mill Levy Calculation process to identify the root cause of the material weakness. The analysis will involve examining procedures, documentation, budgets, and the personnel involved in determining the calculation. The district will continue to reach out to the County Auditor's Office to attempt to establish better communication between their office and the district administration.

<u>Completion Date</u>
On-going

2022-006

<u>Contact Person</u>
David Drapeaux

<u>Corrective Action Plan</u>
The district will evaluate the existing financial reporting processes to identify weaknesses, inefficiencies, or areas for improvement. The district will have a new Superintendent hired for the 2024-2025 school year and will be immediately involved in the financial reporting to the state going forward.

<u>Completion Date</u>
On-going

2022-007

Contact Person
David Drapeaux

Corrective Action Plan
The district hired a new business manager and this resolved this issue going forward. The business manager will work closely with the superintendent to ensure the to make sure the budget requirements of the state of North Dakota are being met.

Completion Date
June 30, 2022

2022-008

Contact Person
David Drapeaux

Corrective Action Plan
The district will implement measures to enhance the accuracy and verification of data reported on the Federal Impact Aid Application. The Superintendent and Business Manager will work together in the future to implement validation checks and verification processes to ensure there is accurate documentation to verify information on the application.

Completion Date
On-going

2022-009

Contact Person
David Drapeaux

Corrective Action Plan
The district will review and update existing policies and procedures related to allowable cost principles to address deficiencies identified in this finding. The administration will ensure that staff understand the principles of allowable costs and compliance requirements.

Completion Date
On-going

2022-010

Contact Person
David Drapeaux

Corrective Action Plan
The district will review and update existing policies and procedures related to allowable cost principles to address deficiencies identified in this finding. The administration will ensure that staff understand the principles of allowable costs and compliance requirements.

Completion Date
On-going

2022-011

Contact Person
David Drapeaux

Corrective Action Plan
The district will complete the fiscal year 2023 audit requirement on or before the March 31, 2024 deadline. Going forward the audits will be completed on time and this finding will be resolved.

Completion Date
March 31, 2024