Financial Statements
June 30, 2022 and 2021

Center-Stanton Public School District No. 1

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Independent Auditor's Report

School Board
Center-Stanton Public School District No. 1
Center, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Center-Stanton Public School District No. 1, Center, North Dakota (the District) as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Center-Stanton Public School District No. 1, as of June 30, 2022 and 2021, and the respective changes in financial position, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Center-Stanton Public School District No. 1 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adoption of New Accounting Standards

As discussed in Notes 1 and 8 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities,* which has resulted in a restatement of the governmental activities net position and fund balance of the General Fund as of July 1, 2020. In accordance with GASB Statement No. 84, the 2021 financial statements have been restated to reflect this change. Our opinions are not modified with respect to this matter.

As discussed in Note 1 to the financial statements, the District has adopted the provisions of GASB Statement No. 87, *Leases*, for the year ended June 30, 2021. 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 Center-Stanton Public School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Center-Stanton Public School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Center-Stanton Public School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules, schedule of changes in the School District's total OPEB liability and related ratios, schedule of employer's share of net pension liability, and schedule of employer's contributions on pages 51-57 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.

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the School District Officials listing 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 financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Bismarck, North Dakota
January 5, 2023

	Governmental Activities
Assets	
Cash and investments	$ 374,090
Taxes receivable	143,394
Intergovernmental receivables	172,550
Capital assets, not being depreciated	
Land	376,000
Construction in progress	49,829
Capital assets, net of accumulated depreciation	
Buildings	1,221,445
Site improvements	295,322
Fixtures	1,346
Vehicles	339,293
Equipment	126,813
Right-to-use lease assets	32,341
Total capital assets	2,442,389
Total assets	3,132,423
Deferred Outflows of Resources	
Other post-employment benefits	4,431
Pension plans	693,070
Total deferred outflows	697,501
Liabilities	
Accounts payable	14,237
Accrued liabilities	3,263
Long-term liabilities	
Due within one year	
Capital lease payable	6,342
Note payable	25,911
Tax-exempt note payable	66,503
Housing incentives payable	8,024
Compensated absences	9,548
Due after one year	
Capital lease payable	26,154
Note payable	114,350
Tax-exempt note payable	82,080
Housing incentives payable	2,500
Compensated absences	46,620
Other post-employment benefits	8,944
Net pension liability	2,618,505
Total liabilities	3,032,981
Deferred Inflows of Resources	
Other post-employment benefits	8,909
Pension plans	1,383,629
Total deferred inflows	1,392,538
Net Position	
Net investment in capital assets	2,121,049
Restricted for grants	16,947
Restricted for student activities	81,681
Unrestricted	(2,815,272)
Total net position	$ (595,595)

	Governmental Activities
Assets	
Cash and investments	$ 520,000
Taxes receivable	112,988
Intergovernmental receivables	316,602
Capital assets, not being depreciated	
Land	376,000
Construction in progress	14,683
Capital assets, net of accumulated depreciation	
Buildings	1,257,159
Site improvements	275,285
Fixtures	16,263
Vehicles	305,484
Equipment	78,138
Total capital assets	2,323,012
Total assets	3,272,602
Deferred Outflows of Resources	
Other post-employment benefits	7,267
Pension plans	1,158,022
Total deferred outflows of resources	1,165,289
Liabilities	
Accounts payable	8,971
Accrued liabilities	3,027
Long-term liabilities	
Due within one year	
Note payable	15,250
Tax-exempt note payable	64,309
Housing incentives payable	-
Compensated absences	9,280
Due after one year	
Note payable	49,478
Tax-exempt note payable	148,583
Housing incentives payable	2,517
Compensated absences	45,308
Other post-employment benefits	21,332
Net pension liability	4,243,336
Total liabilities	4,611,391
Deferred Inflows of Resources	
Other post-employment benefits	1,261
Pension plans	367,914
Total deferred inflows of resources	369,175
Net Position	
Net investment in capital assets	2,045,392
Restricted for grants	4,934
Restricted for student activities	67,557
Unrestricted	(2,660,558)
Total Net Position	$ (542,675)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Regular instruction	$ 2,091,728	$ 21,726	$ 10,620	$ (2,059,382)
Federal programs	470,917	-	448,523	(22,394)
Vocational education	82,142	-	17,436	(64,706)
District wide services	27,603	-	-	(27,603)
Administration	487,026	-	-	(487,026)
Operations and maintenance	272,987	-	-	(272,987)
Student transportation	263,297	-	139,652	(123,645)
Student activities	410,157	-	190,106	(220,051)
Community services	47,433	-	-	(47,433)
Tuition	19,675	-	-	(19,675)
Food services	208,124	19,648	225,071	36,595
Interest expense	22,671	-	-	(22,671)
Total governmental activities	$ 4,403,760	$ 41,374	$ 1,031,408	(3,330,978)

General Revenues	
Taxes	
Property taxes; levied for general purposes	916,876
Property taxes; levied for building purposes	54,278
Coal severance and conversion taxes	311,427
Telecommunications and financial institution taxes	23,230
State aid - not restricted to specific program	1,938,154
Earnings on investments	1,529
Miscellaneous revenue	32,564
Total General Revenues	3,278,058
Change in Net Position	(52,920)
Net Position - Beginning	(542,675)
Net Position - Ending	$ (595,595)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Regular instruction	$ 2,444,331	$ 19,687	$ 30,500	$ (2,394,144)
Federal programs	576,946	-	530,705	(46,241)
Vocational education	107,186	-	24,893	(82,293)
District wide services	41,909	-	-	(41,909)
Administration	324,203	-	-	(324,203)
Operations and maintenance	399,502	-	-	(399,502)
Student transportation	122,522	-	118,027	(4,495)
Student activities	330,204	-	136,853	(193,351)
Community services	40,147	-	-	(40,147)
Tuition	6,257	-	-	(6,257)
Food services	187,837	17,181	192,771	22,115
Interest expense	24,793	-	-	(24,793)
Total governmental activities	$ 4,605,837	$ 36,868	$ 1,033,749	(3,535,220)

General Revenues	
Taxes	
Property taxes; levied for general purposes	893,716
Property taxes; levied for building purposes	56,128
Coal severance and conversion taxes	283,367
Telecommunications and financial institution taxes	19,231
State aid - not restricted to specific program	2,165,223
Earnings on investments	2,583
Miscellaneous revenue	28,444
Total General Revenues	3,448,692
Change in Net Position	(86,528)
Net Position - Beginning, as restated (see Note 8)	(456,147)
Net Position - Ending	$ (542,675)

	General	Building	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	$ 252,794	$ 91,886	$ 29,410	$ 374,090
Taxes receivable	136,498	6,896	-	143,394
Intergovernmental receivables	171,700	828	22	172,550
Total assets	$ 560,992	$ 99,610	$ 29,432	$ 690,034
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	$ 14,237	$ -	$ -	$ 14,237
Accrued liabilities	3,263	-	-	3,263
Total liabilities	17,500	-	-	17,500
Deferred Inflows of Resources				
Unavailable revenue - property taxes	136,498	6,896	-	143,394
Fund balances				
Restricted for:				
Food services	-	-	16,947	16,947
Student activities	81,681	-	-	81,681
Committed for:				
Housing incentives	10,524	-	-	10,524
Food services	-	-	12,485	12,485
Assigned for:				
Building fund	-	92,714	-	92,714
Unassigned	314,789	-	-	314,789
Total fund balances	406,994	92,714	29,432	529,140
Total liabilities, deferred inflows of resources, and fund balances	$ 560,992	$ 99,610	$ 29,432	$ 690,034

	General	Building	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	$ 405,262	$ 72,820	$ 41,918	$ 520,000
Taxes receivable	101,227	11,761	-	112,988
Intergovernmental receivables	316,395	185	22	316,602
Total assets	$ 822,884	$ 84,766	$ 41,940	$ 949,590
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	$ 8,971	$ -	$ -	$ 8,971
Accrued liabilities	3,027	-	-	3,027
Total liabilities	11,998	-	-	11,998
Deferred Inflows of Resources				
Unavailable revenue -property taxes	101,227	11,761	-	112,988
Fund balances				
Restricted for:				
Food services	-		4,934	4,934
Student activities	67,557	-	-	67,557
Committed for:				
Housing incentives	2,517	-	-	2,517
Food services	-	-	37,006	37,006
Assigned for:				
Building fund	-	73,005	-	73,005
Unassigned	639,585	-	-	639,585
Total fund balances	709,659	73,005	41,940	824,604
Total liabilities, deferred inflows of resources, and fund balances	$ 822,884	$ 84,766	$ 41,940	$ 949,590

Total fund balances for governmental funds		$ 529,140
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds		
Cost of capital assets	$ 5,242,699	
Less accumulated depreciation	(2,800,310)	
Net capital assets		2,442,389
Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenue in the funds		143,394
Deferred outflows and inflows of resources related to pensions are applicable to future periods, and therefore, are not reported in the funds.		
Deferred inflows of resources	$ (1,383,629)	
Deferred outflows of resources	693,070	
Net deferred inflows and outflows		(690,559)
Deferred outflows and inflows of resources related to OPEB are applicable to future periods, and therefore, are not reported in the funds.		
Deferred inflows of resources	$ (8,909)	
Deferred outflows of resources	4,431	
Net deferred inflows and outflows		(4,478)
Long-term liabilities applicable to the School District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term are reported in the statement of net position.		
Balances at June 30, 2022 are:		
Other post-employment benefits	$ (8,944)	
Net pension liability	(2,618,505)	
Note payable	(140,261)	
Lease payable	(32,496)	
Tax-exempt note payable	(148,583)	
Housing incentives payable	(10,524)	
Compensated absences	(56,168)	
Total long-term liabilities		(3,015,481)
Total net position of governmental activities		$ (595,595)

Total fund balances for governmental funds		$ 824,604
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds		
Cost of capital assets	$ 4,898,545	
Less accumulated depreciation	(2,575,533)	
Net capital assets		2,323,012
Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenue in the funds		112,988
Deferred outflows and inflows of resources related to pensions are applicable to future periods, and therefore, are not reported in the funds.		
Deferred inflows of resources	$ (367,914)	
Deferred outflows of resources	1,158,022	
Net deferred inflows and outflows		790,108
Deferred outflows and inflows of resources related to OPEB are applicable to future periods, and therefore, are not reported in the funds.		
Deferred inflows of resources	$ (1,261)	
Deferred outflows of resources	7,267	
Net deferred inflows and outflows		6,006
Long-term liabilities applicable to the School District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term are reported in the statement of net position.		
Balances at June 30, 2021 are:		
Other post-employment benefits	$ (21,332)	
Net pension liability	(4,243,336)	
Note payable	(64,728)	
Tax-exempt note payable	(212,892)	
Housing incentives payable	(2,517)	
Compensated absences	(54,588)	
Total long-term liabilities		(4,599,393)
Total net position of governmental activities		$ (542,675)

	General	Building	Other Governmental Funds	Total Governmental Funds
Revenues				
Local sources	$ 962,637	$ 55,050	$ 21,628	$ 1,039,315
County sources	311,427	-	-	311,427
State sources	2,100,696	-	-	2,100,696
Federal sources	453,689	-	225,071	678,760
Other sources	190,236	-	-	190,236
Total revenues	4,018,685	55,050	246,699	4,320,434
Expenditures				
Current				
Regular instruction	2,236,216	-	-	2,236,216
Federal programs	470,917	-	-	470,917
Vocational education	82,142	-	-	82,142
District wide services	27,603	-	-	27,603
Administration	479,019	-	-	479,019
Operations and maintenance	74,863	35,341	-	110,204
Student transportation	201,303	-	-	201,303
Student activities	410,157	-	-	410,157
Community services	47,433	-	-	47,433
Tuition	19,675			19,675
Food services	98,917	-	109,207	208,124
Capital outlay	344,154	-	-	344,154
Debt service				
Principal	130,584	-	-	130,584
Interest	22,671	-	-	22,671
Total expenditures	4,645,654	35,341	109,207	4,790,202
Excess of revenues over (under) expenditures	(626,969)	19,709	137,492	(469,768)
Other financing sources (uses)				
Lease proceeds	34,043	-	-	34,043
Note payable proceeds	140,261	-	-	140,261
Transfers in	150,000	-	-	150,000
Transfers out	-	-	(150,000)	(150,000)
Total other financing sources (uses)	324,304	-	(150,000)	174,304
Net change in fund balances	(302,665)	19,709	(12,508)	(295,464)
Fund balance - Beginning	709,659	73,005	41,940	824,604
Fund balance - Ending	$ 406,994	$ 92,714	$ 29,432	$ 529,140

	General	Building	Other Governmental Funds	Total Governmental Funds
Revenues				
Local sources	$ 988,187	$ 56,603	$ 17,490	$ 1,062,280
County sources	283,367	-	-	283,367
State sources	2,343,588	-	-	2,343,588
Federal sources	525,760	-	192,771	718,531
Other sources	136,862	-	-	136,862
Total revenues	4,277,764	56,603	210,261	4,544,628
Expenditures				
Current				
Regular instruction	2,195,658	-	-	2,195,658
Federal programs	576,946	-	-	576,946
Vocational education	107,186	-	-	107,186
District wide services	41,909	-	-	41,909
Administration	331,727	-	-	331,727
Operations and maintenance	246,028	11,359	-	257,387
Student transportation	65,854	-	-	65,854
Student activities	330,204	-	-	330,204
Community services	40,147	-	-	40,147
Tuition	6,257	-	-	6,257
Food services	105,459	-	82,378	187,837
Capital outlay	263,939	-	-	263,939
Debt service				
Principal	76,854	-	-	76,854
Interest	24,793	-	-	24,793
Total expenditures	4,412,961	11,359	82,378	4,506,698
Excess of revenues over (under) expenditures	(135,197)	45,244	127,883	37,930
Other financing sources (uses)				
Transfers in	105,000	-	-	105,000
Transfers out	-	-	(105,000)	(105,000)
Total other financing sources (uses)	105,000	-	(105,000)	-
Net change in fund balances	(30,197)	45,244	22,883	37,930
Fund balance - Beginning, restated (See Note 8)	739,856	27,761	19,057	786,674
Fund balance - Ending	$ 709,659	$ 73,005	$ 41,940	$ 824,604

Net change in fund balances - total governmental funds		$ (295,464)
The change in net position reported for governmental activities in the statement of activities is different because		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year.		
Current year capital outlay	$ 344,154	
Current year depreciation and amortization expense	(224,777)	
		119,377
The issuance of long-term debt of $195,801 provides current financial resources to governmental funds, while the repayment of principal of long-term debt of $142,494 consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(43,720)
In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.		144,164
In the statement of activities the cost of other post-employment benefits earned net of employee contributions is reported as post-employment expense. In the governmental funds, however, the contributions are reported as expense.		1,904
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds		
Net increase in housing incentives payable	$ (8,007)	
Net increase in compensated absences	(1,580)	
		(9,587)
Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the net increase in taxes receivable.		30,406
Change in net position of governmental activities		$ (52,920)

Net change in fund balances - total governmental funds		$ 37,930
The change in net position reported for governmental activities in the statement of activities is different because		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year.		
Current year capital outlay	$ 263,939	
Current year depreciation expense	(198,783)	
		65,156
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		76,854
In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.		(251,622)
In the statement of activities the cost of other post-employment benefits earned net of employee contributions is reported as post-employement expense. In the government funds, however, the contributions are reported as expense.		(711)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds		
Net decrease in housing incentives payable	$ 7,524	
Net decrease in compensated absences	3,660	
		11,184
Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the net decrease in taxes receivable.		(25,319)
Change in net position of governmental activities		$ (86,528)

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Center-Stanton Public School District No. 1, Center, North Dakota (School District), have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District's accounting policies are described below.

Financial Reporting Entity

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

Based on these criteria, there are no component units to be included within the Center-Stanton Public School District No. 1 as a reporting entity.

Basis of Presentation

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the primary government, Center-Stanton Public School District No. 1. 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 nonexchange 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 specific 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, are presented as general revenues.

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

The School District reports the following major governmental funds:

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

Building Fund – This is the School District's fund used for major capital asset projects.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide and Fiduciary Fund Financial Statements – The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. These financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the School District funds certain programs by a combination of specific cost-reimbursements grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the School District's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

Investments consist of certificates of deposit stated at cost plus interest earned.

Receivables

All receivables are show net of any allowance for uncollectibles. No allowances for uncollectibles have been recorded. The only receivables not expected to be collected within one year are property taxes receivable.

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 District 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 estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction phase of capital assets is not capitalized.

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

Buildings	70 years
Site improvements	10 years
Fixtures	5 years
Vehicles	10 years
Equipment	7-10 years

Compensated Absences

Vested or accumulated sick leave and personal leave is reported in the government-wide statement of net position. Compensation for unused sick leave will be granted to all certified employees and administrators upon termination after 1 or more years of service. The School District's personnel policy requires a payout of $30 for each day up to a maximum of 80 days for accumulated sick leave for certified employees and administrators. During the year ended June 30, 2016 the maximum for sick leave days to be paid out increased to 100 days. Ancillary employees are paid at a rate of $20 for each day up to a maximum of 20 days for accumulated sick leave. Accumulated personal leave is paid out at the substitute rate of pay up to a maximum of 6 days.

Housing Incentives Payable

Housing incentives payable are reported in the government-wide statement of net position. Teachers who work for the School District will receive the incentive if they are eligible after five years. The payable is based on management's estimate of the teachers who will remain employed with the School District and earn the incentive.

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. Bond premiums and discounts are recognized in the current period since the amounts are not material. Issuance costs are also recognized in the current period.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Pensions

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

Other Postemployment Benefits

Other Postemployment 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.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position and governmental funds balance sheet 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 future period(s) and will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The School District reports the contributions made to pension plans and other postemployment benefit plans after the measurement date and prior to the fiscal year-end, and changes in the net pension liability not included in pension expense reported in the government-wide statement of net position as deferred outflows of resources.

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category. The District reports unavailable revenues from property taxes on the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is changes in the net pension liability and other postemployment benefits liability not included in pension expense reported in the government-wide statement of net position.

Fund Balance Classification Policies and Procedures

In accordance with Governmental Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the School District classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by management.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The School District uses *restricted* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the School District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Interfund Transactions

In the governmental fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers.

In the government-wide financial statements, interfund transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Net Position

Net Position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgage, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation. Unrestricted net position consists of all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Leases

The School District is a lessee for a noncancellable lease of copiers. The School District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

At the commencement of a lease, the School District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the School District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The School District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School District generally uses its estimated incremental borrowing rate as the discount rate for leases
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The School District monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Implementation of GASB Statement No. 84

As of July 1, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by establishing specific criteria for identifying activities that should be report as fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in the student activity funds being changed from reporting as an agency fund to the General Fund. The effect of the implementation of this standard on beginning net position and fund balance is disclosed in Note 8.

Implementation of GASB Statement No. 87

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The additional disclosures required by this standard is included in Note 6.

Note 2 - Deposits and Investments

In accordance with North Dakota statutes, the School 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 investments 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 any 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 other securities approved by the banking board.

At June 30, 2022, the bank balance of deposits was $575,080 and the carrying amount of deposits was $374,090, which consisted of School District deposits of $292,032 and Student Activity Fund deposits of $82,058. Of the bank balance, $250,000 was covered by Federal Depository Insurance. The remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name and an irrevocable standby letter of credit in the government's name.

At June 30, 2021, the bank balance of deposits was $829,106 and the carrying amount of deposits was $520,000, which consisted of School District deposits of $452,066 and Student Activity Fund deposits of $67,934. Of the bank balance, $250,000 was covered by Federal Depository Insurance. The remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name and an irrevocable standby letter of credit in the government's name.

Credit Risk

The School District may invest idle funds as authorized in North Dakota statutes, as follows:

1. Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities or organizations created by an act of Congress.

2. Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.

3. Certificates of deposit fully insured by the federal deposit insurance corporation.

4. Obligations of the State.

At June 30, 2022 and 2021, the School District held certificates of deposit in the amount of $221,546 and $266,363, respectively, all of which are considered deposits. The certificates of deposit mature in less than one year.

Concentration of Credit Risk

The School District does not have a limit on the amount the School District may invest in any one issuer.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The School District does not have a written investment policy covering interest rate risk.

Note 3 - Taxes Receivable

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

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material tax collections are distributed after the end of each month.

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

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

Note 4 - Intergovernmental Receivables

Intergovernmental receivables consist of reimbursements due for expense in the operation of various school programs. This amount consists of a mix of state and federal dollars.

Note 5 - Capital Assets

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

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Capital assets not being depreciated				
Land	$ 376,000	$ -	$ -	$ 376,000
Construction in progress	14,683	35,146	-	49,829
Total capital assets not not being depreciated	390,683	35,146	-	425,829
Capital assets being depreciated				
Buildings	2,500,000	-	-	2,500,000
Site improvements	648,323	92,842	-	741,165
Fixtures	199,321	-	-	199,321
Vehicles	799,732	95,803	-	895,535
Equipment	360,486	86,320	-	446,806
Total capital assets being depreciated	4,507,862	274,965	-	4,782,827
Less accumulated depreciation for				
Buildings	1,242,841	35,714	-	1,278,555
Site improvements	373,038	72,805	-	445,843
Fixtures	183,058	14,917	-	197,975
Vehicles	494,248	61,994	-	556,242
Equipment	282,348	37,645	-	319,993
Total accumulated depreciation	2,575,533	223,075	-	2,798,608
Total capital assets being depreciated, net	1,932,329	51,890	-	1,984,219
Right-to-use leased assets being amortized				
Equipment	-	34,043	-	34,043
Total right-to-use leased assets being amortized	-	34,043	-	34,043
Less accumulated amortization for				
Equipment	-	1,702	-	1,702
Total accumulated amortization	-	1,702	-	1,702
Total leased assets being amortized, net	-	32,341	-	32,341
Governmental type activity capital assets, net	$ 2,323,012	$ 119,377	$ -	$ 2,442,389

Depreciation and amortization expense was charged to functions/programs of the School District as follows for the year ended June 30, 2022:

	Amounts
Operations and maintenance	$ 162,783
Student transportation	61,994
Total depreciation and amortization expense	$ 224,777

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

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital assets not being depreciated				
Land	$ 376,000	$ -	$ -	$ 376,000
Construction in progress	-	14,683	-	14,683
Total capital assets not not being depreciated	376,000	14,683	-	390,683
Capital assets being depreciated				
Buildings	2,500,000	-	-	2,500,000
Site improvements	642,812	5,511	-	648,323
Fixtures	199,321	-	-	199,321
Vehicles	680,746	145,086	26,100	799,732
Equipment	261,827	98,659	-	360,486
Total capital assets being depreciated	4,284,706	249,256	26,100	4,507,862
Less accumulated depreciation for				
Buildings	1,207,127	35,714	-	1,242,841
Site improvements	308,429	64,609	-	373,038
Fixtures	167,855	15,203	-	183,058
Vehicles	463,680	56,668	26,100	494,248
Equipment	255,759	26,589	-	282,348
Total accumulated depreciation	2,402,850	198,783	26,100	2,575,533
Total capital assets being depreciated, net	1,881,856	50,473	-	1,932,329
Governmental type activity capital assets, net	$ 2,257,856	$ 65,156	$ -	$ 2,323,012

Depreciation expense was charged to functions/programs of the School District as follows for the year ended June 30, 2021:

	Amounts
Operations and maintenance	$ 142,115
Student transportation	56,668
Total depreciation expense	$ 198,783

Note 6 - Leases

Lease Payable

During the year ended June 30, 2022, the District entered into a five-year lease agreement as lessee for the acquisition and use of copiers. An initial lease liability was recorded in the amount of $34,043 during the current fiscal year. As of June 30, 2022, the value of the lease liability was $32,496. The District is required to make monthly principal and interest payments of $627. The lease has an interest rate of 3.97%. The equipment has a five-year estimated useful life. The value of the right-to-use asset as of the end of the current fiscal year was $34,043 and had accumulated amortization of $1,702.

Principal and interest on leases are paid from the general fund. Total interest expense for all leases for the year ended June 30, 2022, was $333.

The future principal and interest lease payments as of June 30, 2022, were as follows:

Years Ending June 30	Principal	Interest
2023	$ 6,342	$ 1,176
2024	6,599	919
2025	6,866	652
2026	7,143	375
2027	5,546	92
Total	$ 32,496	$ 3,214

Note 7 - Long-Term Liabilities

The following is a summary of long-term liability activity for the year ended June 30, 2022:

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022	Due Within One Year
Note payable	$ 64,728	$ 140,261	$ 64,728	$ 140,261	$ 25,911
Leases payable	-	34,043	1,547	32,496	6,342
Tax-exempt note payable	212,892	-	64,309	148,583	66,503
Housing incentives payable	2,517	8,007	-	10,524	8,024
Compensated absences	54,588	13,490	11,910	56,168	9,548
Total	$ 334,725	$ 195,801	$ 142,494	$ 388,032	$ 116,328

The following is a summary of long-term liability activity for the year ended June 30, 2021:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021	Due Within One Year
Note payable	$ 79,395	$ -	$ 14,667	$ 64,728	$ 15,250
Tax-exempt note payable	275,079	-	62,187	212,892	64,309
Housing incentives payable	10,041	518	8,042	2,517	-
Compensated absences	58,248	9,963	13,623	54,588	9,280
Total	$ 422,763	$ 10,481	$ 98,519	$ 334,725	$ 88,839

Tax-Exempt Note Payable

A tax-exempt note payable was entered into for financing energy conservation measures. The District entered into this note payable during February 2014. The note is due in annual installments of $86,980 maturing in February 2025. The total amount that can be drawn on the tax-exempt note is $1,058,909; however, the District as of June 30, 2022 and 2021 had an outstanding balance as follows:

Purpose	Interest Rates	2022	2021
Energy Conservation Measures	3.36%	$ 148,583	$ 212,892

Maturity of the tax-exempt note payable is as follows:

Years Ending June 30	Principal	Interest
2023	$ 66,503	$ 20,476
2024	68,772	18,207
2025	13,308	15,861
Total	$ 148,583	$ 54,544

The tax-exempt note payable is liquidated by the general fund.

Housing Incentives Payable

The District has a housing incentive program for teachers in which they set aside $2,000 per year for five years and eligible teachers will receive the incentive at the end of the five-year period. Teachers are eligible to receive the full incentive of $10,000 plus accrued interest if at the end of the five years, the teacher owns his or her home in the District. Teachers can also be eligible for half of the incentive if they live in the District and rent housing or if they are not living in the District but send his/her child to the School District for five years. If the teacher does not meet the eligibility requirements at the end of the five-year period, the money that was contributed to the housing incentive fund and the interest will not be paid out and will become available for other spending purposes of the District. Amounts outstanding for housing incentives payable are liquidated through the General Fund.

The annual requirements to amortize the housing incentives payable are as follows:

Years Ending June 30	Principal
2023	$ 8,024
2024	-
2025	-
2026	2,500
Total	$ 10,524

Notes Payable

The following is a summary of notes payable as of June 30, 2022:

Note Description	Final Maturity	Interest Rate	Original Principal	Outstanding Balance
2022 Bus Loan	2027	3.97%	$ 140,261	$ 140,261

Amounts outstanding for notes payable are liquidated through the General Fund. Remaining principal and interest payments on notes payable are as follows:

Years Ending June 30	Principal	Interest
2023	$ 25,911	$ 4,951
2024	26,940	3,922
2025	28,010	2,852
2026	29,122	1,740
2027	30,278	584
Total	$ 140,261	$ 14,049

Note 8 - Adoption of New Standard

As of July 1, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities*. Due to the new standard the District's student activity accounts will now be held in and accounted for in the General Fund. Student activity accounts were previously accounted for in the agency fund. The following table describes the effects of the implementation of GASB 84 on beginning net position/fund balance.

	Governmental Activities	General Fund
Net Position/Fund Balance at June 30, 2020, as previously reported	$ (527,880)	$ 668,123
Adjustment of student activity funds from an agency fund to the General Fund	71,733	71,733
Net Position/Fund Balance at July 1, 2020, as adjusted	$ (456,147)	$ 739,856

Note 9 - Risk Management

The Center-Stanton Public School District No. 1 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.

Liability Insurance

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 School District pays an annual premium for its general liability, automobile and public assets insurance coverage. The coverage by NDIRF is limited to losses of $2,000,000 per occurrence for general liability and automobile; and $43,600 for public assets.

The School District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The School District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of $1,000,000 per occurrence during a 12-month period. The State Bonding Fund currently provides the School District with a blanket fidelity bond coverage in the amount of $1,100,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

Worker's Compensation

The School District has worker's compensation with the Department of Workforce Safety and Insurance; and purchases commercial insurance for employee health, dental and vision insurance. Employees who elect health insurance coverage through the School District also receive life insurance coverage.

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

Note 10 - Pension Plans

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 and 2021, the District reported a liability of $2,405,542 and $3,418,890, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2021 and 2020, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2021, the District's proportion was 0.228304 percent, which was an increase of 0.004921 percent from its proportion of 0.223383 percent as of July 1, 2020.

For the year ended June 30, 2022 and 2021, the District recognized pension expense of $84,880 and $351,651, respectively. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2022		June 30, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 16,713	$ 101,448	$ 705	$ 128,304
Changes of assumptions	84,494	-	153,880	-
Net difference between projected and actual investment earnings on pension plan investments	-	704,859	211,053	-
Changes in proportion and differences between employer contributions and District's proportionate share of contril	109,794	80,329	69,494	108,578
District's contributions to TFFR subsequent to the measurement date	218,376	-	224,341	-
Total	$ 429,377	$ 886,636	$ 659,473	$ 236,882

$218,376 and $224,341 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023 and 2022, respectively.

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

Years Ended June 30,	Pension Expense Amount
2023	$ (173,631)
2024	(146,327)
2025	(167,269)
2026	(226,611)
2027	15,905
Thereafter	22,298
	$ (675,635)

Actuarial Assumptions

The total pension liability in the July 1, 2021 and 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Assumptions	June 30, 2022	June 30, 2021
Inflation	2.30%	2.30%
Salary Increases	3.80% to 14.80%, varying by service, including inflation and productivity	3.80% to 14.80%, varying by service, including inflation and productivity
Investment Rate of Return	7.25%, net of investment expenses	7.25%, net of investment expenses
Cost-of-living adjustments	None	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 Disables 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 classes 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 pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

	June 30, 2022		June 30, 2021	
Asset Class	Target Allocations	Long-Term Expected Real Rate of Return	Target Allocations	Long-Term Expected Real Rate of Return
Global Equities	58%	6.87%	58%	6.86%
Global Fixed Income	23%	0.74%	23%	1.25%
Global Real Assets	18%	4.80%	18%	5.02%
Cash Equivalents	1%	-1.00%	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.25% and 7.25% as of June 30, 2021 and 2020, respectively. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2021 and 2020, Actuarial Valuation Report, respectively. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2021 and 2020. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021 and 2020, respectively.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent at June 30, 2021 and 7.25 percent at June 30, 2020, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2022		
	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
TFFR discount rate	6.25%	7.25%	8.25%
District's proportionate share of the TFFR net pension liability	$ 3,612,011	$ 2,405,542	$ 1,403,692

	June 30, 2021		
	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
TFFR discount rate	6.25%	7.25%	8.25%
District's proportionate share of the TFFR net pension liability	$ 4,553,778	$ 3,418,890	$ 2,475,740

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report. TFFR's Comprehensive Annual Financial Report (CAFR) is located at www.nd.gov/rio/sib/publications/cafr/default.htm.

North Dakota Public Employees' Retirement System

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

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

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

Pension Benefits

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7.00% and employer contribution rates are 8.26% of covered compensation.

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

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

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

At June 30, 2022 and 2021, the District reported a liability of $212,963 and $824,446, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2021 and 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2021, the District's proportion was 0.020432 percent, an decrease of 0.000577 from its proportion of 0.026206 percent measured as of June 30, 2020.

For the year ended June 30, 2022 and 2021, the District recognized pension expense of $8,829 and $141,960, respectively. At June 30, 2022 and 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2022		June 30, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,677	$ 21,736	$ 3,209	$ 41,775
Changes of assumptions	235,709	307,315	441,955	73,066
Net difference between projected and actual investment earnings on pension plan investments	-	78,985	26,609	-
Changes in proportion and differences between employer contributions and District's proportionate share of contributions	4,728	88,957	8,982	16,191
District's contributions to PERS subsequent to the measurement date	19,579	-	17,794	-
Total	$ 263,693	$ 496,993	$ 498,549	$ 131,032

$19,579 and $17,794 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023 and 2022, respectively.

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

Years Ended June 30,	Pension Expense Amount
2023	$ (45,505)
2024	(61,301)
2025	(53,442)
2026	(92,631)
	$ (252,879)

Actuarial Assumptions

The total pension liability in the July 1, 2021 and 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Assumptions	June 30, 2022	June 30, 2021
Inflation	2.25%	2.25%
Salary Increases	3.50% to 17.75% inlcuding inflation	3.50% to 17.75% inlcuding inflation
Investment Rate of Return	7.00%, net of investment expenses	7.00%, net of investment expenses
Cost-of-living adjustments	None	None

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

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

	June 30, 2022		June 30, 2021	
Asset Class	Target Allocations	Long-Term Expected Real Rate of Return	Target Allocations	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.00%	30%	6.30%
International Equity	21%	6.70%	21%	6.85%
Private Equity	7%	9.50%	7%	9.75%
Domestic Fixed Income	23%	0.73%	23%	1.25%
Global Real Assets	19%	4.77%	19%	5.01%
Cash Equivalents	0%	0.00%	0%	0.00%

Discount Rate

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 1.92%; and the resulting Single Discount Rate is 7.00% as of June 30, 2021. This is a change from an expected rate of return on pension plan investments of 7.00%, a municipal bond rate of 2.45% and the resulting Single Discount Rate of 4.64% as of June 30, 2020.

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent as of June 30, 2022 and 4.64 percent as of June 30, 2021, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate as of June 30, 2022, and 1-percentage-point lower (3.64 percent) or 1-percentage-point higher (5.64 percent) than the current rate as of June 30, 2021:

	June 30, 2022		
	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
PERS discount rate	6.00%	7.00%	8.00%
District's proportionate share of the PERS net pension liability	$ 338,683	$ 212,963	$ 108,281

	June 30, 2021		
	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
PERS discount rate	3.64%	4.64%	5.64%
District's proportionate share of the PERS net pension liability	$ 1,069,657	$ 824,446	$ 623,804

Pension Plan Fiduciary Net Position

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

Note 11 - Other Postemployment Benefits

North Dakota Public Employees Retirement System

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

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. 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 and 2021, the Employer reported a liability of $8,944 and $21,332, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021 and 2020, 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 0.016081 percent, a decrease of 0.009278 from its proportion of 0.025359 percent measured June 30, 2020.

For the year ended June 30, 2022 and 2021, the Employer recognized OPEB expense of $38 and $3,135, respectively. At June 30, 2022 and 2021, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	June 30, 2022		June 30, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 513	$ 245	$ 472	$ 511
Changes of assumptions	1,385	-	2,860	-
Net difference between projected and actual investment earnings on OPEB plan investments	-	3,064	734	-
Changes in proportion and differences between employer contributions and District's proportionate share of contributions	568	5,600	737	750
District's contributions subsequent to the measurement date	1,965	-	2,464	-
Total	$ 4,431	$ 8,909	$ 7,267	$ 1,261

$1,965 and $2,464 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023 and 2022, respectively.

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

Years Ended June 30,	OPEB Expense Amount
2023	$ (1,369)
2024	(1,391)
2025	(1,502)
2026	(1,845)
2027	(336)
	$ (6,443)

Actuarial Assumptions

The total OPEB liability in the July 1, 2021 and July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Assumptions	June 30, 2022	June 30, 2021
Inflation	2.50%	2.25%
Salary Increases	Not applicable	Not applicable
Investment Rate of Return	6.50%, net of investment expenses	6.50%, net of investment expenses
Cost-of-living adjustments	None	None

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplies by 92% for both males and females. Mortality rates are projected form 2010 using the MP-2019 scale.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2021 and 2020 are summarized in the following table:

	June 30, 2022		June 30, 2021	
Asset Class	Target Allocations	Long-Term Expected Real Rate of Return	Target Allocations	Long-Term Expected Real Rate of Return
Lg Cap Domestic Equities	33%	5.85%	33%	6.10%
Sm Cap Domestic Equities	6%	6.75%	6%	7.00%
International Equities	26%	6.25%	21%	6.45%
Core-Plus Fixed Income	35%	0.50%	40%	1.15%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.5%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2017, and July 1, 2016, HPRS actuarial valuation reports. 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 and 2020, calculated using the discount rate of 6.5% and 6.5%, respectively, 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 or 1-percentage-point higher than the current rate:

	June 30, 2022		
	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
	5.50%	6.50%	7.50%
District's proportionate share of the PERS net OPEB liability	$ 13,265	$ 8,944	$ 5,288

	June 30, 2021		
	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
	5.50%	6.50%	7.50%
District's proportionate share of the PERS net OPEB liability	$ 27,977	$ 21,332	$ 15,712

Note 12 - Transfers

The following shows the transfers in and out for the year ended June 30, 2022:

Fund	Transfer In	Transfer Out
General fund	$ 150,000	$ -
Non-major fund	-	150,000
Total	$ 150,000	$ 150,000

The following shows the transfers in and out for the year ended June 30, 2021:

Fund	Transfer In	Transfer Out
General Fund	$ 105,000	$ -
Non-major fund	-	105,000
Total	$ 105,000	$ 105,000

The transfers above were to move funds from the food service fund to the general fund due to the District having an ending food service fund balance at year end in excess of an internal threshold set up by the District.

Note 13 - Expenditures in Excess of Appropriations

The School District exceeded the budget for expenditures in the General Fund by $479,168 and $743,962 in the years ended June 30, 2022 and 2021, respectively. The expenditures were covered by significant excess revenues from prior years.

Note 14 - Subsequent Events

On October 5, 2022, the District issued $260,000 in general obligation building fund bonds to fund the replacement of the heating and ventilation system and improvements to the related school property.

Required Supplementary Information
June 30, 2022 and 2021

Center-Stanton Public School District No. 1

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Local sources	988,130	$ 988,130	$ 962,637	$ (25,493)
County sources	283,451	283,451	311,427	27,976
State sources	2,335,801	2,335,801	2,100,696	(235,105)
Federal sources	415,118	415,118	453,689	38,571
Other sources	66	66	190,236	190,170
Total revenues	4,022,566	4,022,566	4,018,685	(3,881)
Expenditures				
Current				
Regular instruction	2,116,122	2,116,122	2,236,216	(120,094)
Federal programs	557,297	557,297	470,917	86,380
Vocational education	107,186	107,186	82,142	25,044
District wide services	41,908	41,908	27,603	14,305
Administration	331,730	331,730	479,019	(147,289)
Operations & maintenance	446,333	446,333	74,863	371,470
Student transportation	237,909	237,909	201,303	36,606
Student activities	182,399	182,399	410,157	(227,758)
Community services	40,147	40,147	47,433	(7,286)
Tuition and assessments	-	-	19,675	(19,675)
Food services	105,456	105,456	98,917	6,539
Capital outlay	-	-	344,154	(344,154)
Debt service		-		
Principal	-	-	130,584	(130,584)
Interest	-	-	22,671	(22,671)
Total expenditures	4,166,487	4,166,487	4,645,654	(479,167)
Excess of revenues over (under) expenditures	(143,921)	(143,921)	(626,969)	(483,048)
Other financing sources (uses)				
Note payable	-	-	140,261	140,261
Lease payable	-	-	34,043	34,043
Transfers in	100,000	100,000	150,000	50,000
Total other financing sources	100,000	100,000	324,304	224,304
Net change in fund balances	(43,921)	(43,921)	(302,665)	(258,744)
Fund balance - Beginning	709,659	709,659	709,659	-
Fund balance - Ending	$ 665,738	$ 665,738	$ 406,994	$ (258,744)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Local sources	$ 976,812	$ 976,812	$ 988,187	$ 11,375
County sources	303,294	303,294	283,367	(19,927)
State sources	2,314,445	2,314,445	2,343,588	29,143
Federal sources	199,214	199,214	525,760	326,546
Other sources	134	134	136,862	136,728
Total revenues	3,793,899	3,793,899	4,277,764	483,865
Expenditures				
Current		-		
Regular instruction	2,036,583	2,036,583	2,195,658	(159,075)
Federal programs	212,746	212,746	576,946	(364,200)
Vocational education	99,679	99,679	107,186	(7,507)
District wide services	36,334	36,334	41,909	(5,575)
Administration	282,488	282,488	331,727	(49,239)
Operations & maintenance	467,776	467,776	246,028	221,748
Student transportation	203,535	203,535	65,854	137,681
Student activities	164,280	164,280	330,204	(165,924)
Community services	37,626	37,626	40,147	(2,521)
Tuition and assessments	-	-	6,257	(6,257)
Food services	127,953	127,953	105,459	22,494
Capital outlay	-	-	263,939	(263,939)
Debt service		-		
Principal	-	-	76,854	(76,854)
Interest	-	-	24,793	(24,793)
Total expenditures	3,669,000	3,669,000	4,412,961	(743,961)
Excess of revenues over (under) expenditures	124,900	124,899	(135,197)	(260,096)
Other financing sources (uses)				
Transfers in	50,000	-	105,000	105,000
Total other financing uses	50,000	-	105,000	105,000
Net change in fund balances	174,900	124,899	(30,197)	(155,096)
Fund balance - Beginning, restated (see Note 8)	739,856	739,856	739,856	-
Fund balance - Ending	$ 914,756	$ 864,755	$ 709,659	$ (155,096)

Note 15 - Note 1 – Summary of Significant Budget Policies

Based upon available financial information and requests by the governing board, the Business Manager and Superintendent work together to prepare the School District budget. The budget is prepared for the general fund on the modified accrual basis of accounting. The budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year-end.

School District taxes must be levied by the governing board on or before August 15. The taxes levied must be certified to the county auditor immediately following the action of the governing body, or within ten days thereafter (August 25). The governing board may amend its tax levy and budget, but the certification must be filed with the county auditor by October 10. The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.

Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years *

Pension Plan	Measurement Date	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Covered-Employee Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERS	6/30/2014	0.028866%	$ 183,219	$ 243,165	75.35%	77.70%
PERS	6/30/2015	0.028766%	$ 195,604	$ 249,791	78.31%	77.15%
PERS	6/30/2016	0.024603%	$ 239,780	$ 247,944	96.71%	70.46%
PERS	6/30/2017	0.025778%	$ 414,337	$ 263,152	157.45%	61.98%
PERS	6/30/2018	0.027478%	$ 463,721	$ 282,283	164.28%	62.80%
PERS	6/30/2019	0.026610%	$ 311,888	$ 276,787	112.68%	71.66%
PERS	6/30/2020	0.026206%	$ 824,446	$ 289,085	285.19%	48.91%
PERS	6/30/2021	0.020432%	$ 212,963	$ 231,365	92.05%	78.26%
TFFR	6/30/2014	0.227371%	$ 2,382,445	$ 1,318,874	180.64%	66.60%
TFFR	6/30/2015	0.230316%	$ 3,012,200	$ 1,416,217	212.69%	62.10%
TFFR	6/30/2016	0.223740%	$ 3,277,926	$ 1,453,696	225.49%	59.20%
TFFR	6/30/2017	0.222268%	$ 3,052,905	$ 1,500,244	203.49%	63.20%
TFFR	6/30/2018	0.231198%	$ 3,081,538	$ 1,571,704	196.06%	65.50%
TFFR	6/30/2019	0.2261600%	$ 3,114,795	$ 1,586,576	196.32%	65.50%
TFFR	6/30/2020	0.2233834%	$ 3,418,890	$ 1,629,941	209.76%	63.40%
TFFR	6/30/2021	0.2283045%	$ 2,405,542	$ 1,759,542	136.71%	75.70%

*Complete data for this schedule is not available prior to 2014.

Schedule of Employer's Contributions
Last 10 Fiscal Years *

Pension Plan	Fiscal Year Ending	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Statutorily required contribution
PERS	6/30/2015	$ 17,785	$ 17,785	$ -	$ 249,791	7.12%
PERS	6/30/2016	$ 19,466	$ 17,782	$ 1,684	$ 247,944	7.17%
PERS	6/30/2017	$ 17,950	$ 16,606	$ 1,344	$ 263,152	6.31%
PERS	6/30/2018	$ 19,082	$ 17,557	$ 1,525	$ 282,283	6.22%
PERS	6/30/2019	$ 20,792	$ 19,831	$ 961	$ 276,787	7.16%
PERS	6/30/2020	$ 20,152	$ 19,137	$ 1,015	$ 289,085	7.12%
PERS	6/30/2021	$ 20,470	$ 19,924	$ 546	$ 231,365	8.61%
PERS	6/30/2022	$ 17,063	$ 17,710	$ (647)	$ 256,295	6.91%
TFFR	6/30/2015	$ 141,778	$ 141,778	$ -	$ 1,416,217	10.01%
TFFR	6/30/2016	$ 180,619	$ 180,619	$ -	$ 1,453,696	12.42%
TFFR	6/30/2017	$ 185,346	$ 185,346	$ -	$ 1,500,244	12.35%
TFFR	6/30/2018	$ 191,281	$ 191,281	$ -	$ 1,571,704	12.17%
TFFR	6/30/2019	$ 200,392	$ 200,392	$ -	$ 1,586,576	12.63%
TFFR	6/30/2020	$ 202,288	$ 202,288	$ -	$ 1,629,941	12.41%
TFFR	6/30/2021	$ 207,819	$ 207,819	$ -	$ 1,759,542	11.81%
TFFR	6/30/2022	$ 224,342	$ 224,342	$ -	$ 1,759,545	12.75%

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

Schedule of Employer's Share of Net OPEB Liability
Last 10 Fiscal Years *

Other Post Employment Benefits Plan	Measurement Date	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
NDRHICF	6/30/2017	0.024324%	$ 19,241	$ 263,152	7.31%	59.78%
NDRHICF	6/30/2018	0.025798%	$ 20,318	$ 263,152	7.72%	61.89%
NDRHICF	6/30/2019	0.024805%	$ 19,923	$ 282,283	7.06%	63.13%
NDRHICF	6/30/2020	0.025359%	$ 21,332	$ 276,787	7.38%	63.38%
NDRHICF	6/30/2021	0.016081%	$ 8,944	$ 289,085	5.10%	76.63%

*Complete data for this schedule is not available prior to 2017.

Schedule of Employer's Contributions
Last 10 Fiscal Years *

Other Post Employment Benefits Plan	Fiscal Year Ending	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Statutorily required contribution
NDRHICF	6/30/2018	$ 3,059	$ 2,811	$ 248	$ 263,152	1.07%
NDRHICF	6/30/2019	$ 3,311	$ 3,175	$ 136	$ 282,283	1.12%
NDRHICF	6/30/2020	$ 3,219	$ 3,064	$ 155	$ 276,787	1.11%
NDRHICF	6/30/2021	$ 3,396	$ 3,190	$ 206	$ 289,085	1.10%
NDRHICF	6/30/2022	$ 2,108	$ 2,441	$ (333)	$ 175,320	1.39%

*Complete data for this schedule is not available prior to 2017

Notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions

Changes of Assumptions

Amounts reported in 2022 reflect actuarial assumption changes effective July 1, 2021 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

Notes to the Schedule of Employer's Share of Net OPEB Liability and Schedule of Employer's Contributions

Changes of Assumptions

Amounts reported in 2022 reflect actuarial assumption changes effective July 1, 2021 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

CPAs & BUSINESS ADVISORS

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 of
Center-Stanton Public School District No. 1
Center, North Dakota

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Center-Stanton Public School District No. 1 ("the District"), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 5, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying auditor’s comments as items 2022-001, 2022-002, and 2022-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Findings

Government Auditing Standards requires the auditor to perform procedures on the District’s responses to findings identified in our audit and described in the District’s Corrective Action Plan. The District’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Eide Bailly LLP

Bismarck, North Dakota
January 5, 2023

Current Audit Findings and Recommendations – Financial Statements

2022-001 - Segregation of Duties – Material Weakness

Condition – The District has a lack of segregation of duties in certain areas due to a limited staff.

Criteria - A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Effect - Inadequate segregation of duties could adversely affect the District's ability to detect potential material misstatements to the financial statements in a timely period.

Cause - One employee is responsible for collecting monies, depositing monies, issuing checks, sending checks to vendors, recording receipts and disbursements in journals, maintaining the general ledger and preparing financial records.

Recommendation - While we recognize that your office staff may not be large enough to permit complete segregation of duties in all respects for an effective system of internal control, all accounting functions should be reviewed to determine if additional segregation is feasible and to improve efficiency and effectiveness of financial management of the District.

Management's Response - The School District feels that the costs for hiring additional staff would not be significantly beneficial. The School District does currently mitigate this situation by the approval of all checks by action of the School Board. The School District will continue to look for further opportunities to segregate duties.

2022-002 - Recording of Transactions – Material Weakness

Condition - We identified misstatements in the District's financial statements causing us to propose material audit adjustments.

Criteria - A good system of internal accounting control contemplates proper reconcilements of all general ledger accounts.

Effect - Inadequate internal controls over recording of transactions affects the District's ability to detect misstatements in amounts that could be material in relation to the financial statements.

Cause - The transactions were outside of the typical day to day transactions of the School District and were not recorded in accordance with generally accepted accounting principles.

Recommendation - While we recognize that this condition is not unusual for an organization your size, it is important that you be aware of this condition for financial reporting purposes. We recommend you research transactions that are outside of the scope of the typical day to day accounting transactions to ensure all transactions are recorded correctly.

Management's Response - The School District will review the prior year journal entries to determine training needs with the intent to reduce the overall frequency or number of adjusting journal entries.

2022-003 - Financial Statement Preparation – Material Weakness

Condition - The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Criteria - Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements that are materially correct.

Effect - Inadequate controls over financial reporting of the District result in the more than remote likelihood that the District would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

Cause - The District has not trained staff in GASB reporting standards.

Recommendation - While we recognize that this condition is not unusual for an organization your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of the District and changes in reporting requirements.

Management's Response - No action is planned on the finding. The School District will continue to have the auditors prepare the financial statements; however, the School District has established an internal control policy to document the annual review of the financial statements by the School Board and management.