SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Hankinson, North Dakota

AUDITED FINANCIAL STATEMENTS
Year Ended June 30, 2021

SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Hankinson, North Dakota

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SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Hankinson, North Dakota

OFFICIAL DIRECTORY
June 30, 2021

Dan Dalchow	President
Chad Benson	Vice President
Steven Johnson	Board Member
Chris Larson	Board Member
Dan Warcken	Board Member
Brian Nelson	Board Member
Chris Bastian	Board Member
Phil French	Board Member
Britney Gandhi	Board Member
Dawn Hoeke	Board Member
John Porter	Director
Linda Bladow	Business Manager

INDEPENDENT AUDITOR'S REPORT

Board of Directors
South Valley Multi-District Special Education Unit
Hankinson, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the South Valley Multi-District Special Education Unit, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise South Valley Multi-District Special Education Unit's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the South Valley Multi-District Special Education Unit, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the South Valley Multi-District Special Education Unit and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The South Valley Multi-District Special Education Unit's 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.

Nadine Julson, LLC

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the South Valley Multi-District Special Education Unit'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 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, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule – general fund, schedule of employer's share of net pension liability, schedule of employer contributions and notes to required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Valley Multi-District Special Education Unit's basic financial statements. The official directory is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The official directory has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2021 on our consideration of South Valley Multi-District Special Education Unit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Valley Multi-District Special Education Unit's internal control over financial reporting and compliance.

Nadine Julson, LLC

Nadine Julson, LLC
Wahpeton, ND
October 6, 2021

The Management's Discussion and Analysis (MD&A) of the South Valley Multi-District Special Education Unit's (the Unit) financial performance provides an overall review of the Unit's financial activities for the fiscal year ended June 30, 2021, with comparative data for the fiscal year ended June 30, 2020. The intent of the MD&A is to look at the Unit's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

Financial Highlights

Key financial highlights for the year ended June 30, 2021 are as follows:

For the 2020-2021 fiscal year, the Unit's beginning cash balance was $504,557 and the ending cash balance was $416,073 for a net cash loss of $88,484. Revenues exceeded budgeted amounts by $42,742 and expenditures exceeded budgeted amounts by $85,090.

Using this Annual Report

This annual financial report consists of a series of statements and related footnotes. These statements are organized so that the reader can understand the South Valley Multi-District Special Education Unit as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole Unit, presenting both an aggregate view of the Unit's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending.

Reporting on the Unit as a Whole

Statement of Net Position and Statement of Activities

These statements are summaries of all the funds used by the South Valley Multi-District Special Education Unit to provide programs and activities and attempt to answer the question "How did the Unit do financially during the year ended June 30, 2021?"

The statement of net position presents information on all the Unit's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Unit is improving or deteriorating.

The statement of activities presents information on how the Unit's net position changed during the fiscal year. This statement is presented using the accrual basis of accounting, which means that all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

These two statements report the Unit's net position and changes in net position. The change in net position is important because it tells the reader whether, for the Unit as a whole, the financial position of the Unit has improved or deteriorated. The causes of this change may be the result of many factors, some financial and some not.

In the statement of net position and the statement of activities, the Unit reports governmental activities. Governmental activities are the activities where most of the Unit's programs and services are reported including, but not limited to, special instruction, federal programs, psychological services, student and staff support services, and administration.

The government-wide financial statements can be found on pages 10-11 of this report.

Reporting on the Unit 's Most Significant Funds

Balance Sheet - Governmental Funds

The fund basic financial statements allow the Unit to demonstrate its stewardship over the accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the Unit's major funds. Using the criteria established by GASB No. 34, the Unit's general fund is considered a "major fund."

The basic governmental fund financial statements can be found on pages 12-15 of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-26 of this report.

Financial Analysis of the Unit as a Whole

Table I provides a summary of the Unit's net position as of June 30, 2021 and 2020. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the South Valley Multi-District Special Education Unit, net position decreased by $36,092 for the year ending June 30, 2021.

The Unit's net position at June 30, 2021 is segregated into two separate categories. Net position invested in capital assets (net of related debt) are not available for future spending. The remaining unrestricted net position is available to meet the Unit's ongoing obligations.

Table I
Net Position
June 30,

	2021	2020
Assets and Deferred Outflows of Resources		
Current Assets	$ 478,993	$ 541,315
Capital Assets, net of depreciation	48,724	64,282
Deferred Outflows of Resources	267,092	245,329
Total Assets and Deferred Outflows of Resources	794,809	850,926
Liabilities and Deferred Inflows of Resources		
Long-term Liabilities	969,298	1,001,188
Deferred Inflows of Resources	349,480	337,615
Total Liabilities and Deferred Inflows of Resources	1,318,778	1,338,803
Net Position (Deficit)		
Net Investment in Capital Assets	48,724	64,282
Unrestricted (Deficit)	(572,693)	(552,159)
Total Net Position (Deficit)	$ (523,969)	$ (487,877)

Table II shows the changes in net position for the fiscal years ended June 30, 2021 and 2020.

Table II
Changes in Net Position
Years Ended June 30,

	2021	2020
Revenues		
Program Revenues		
Charges for Services	$ 931,271	$ 1,036,445
Operating Grants and Contributions	963,770	867,028
General Revenues		
State Aid-Unrestricted	309,520	370,111
Interest and Miscellaneous Earnings	8,057	7,520
Total Revenues	$ 2,212,618	$ 2,281,104
Expenses		
Special Instruction	$ 418,989	$ 507,348
Psychological Services	215,072	125,325
Other Student Support Services	81,674	42,894
Governing Board	73,774	54,716
General Administrative Services	372,790	361,062
Student Transportation	119,698	116,031
Other Supporting Services	96,550	96,365
Contracted Services	870,163	950,463
Total Expenses	2,248,710	2,254,204
Change in Net Position	$ (36,092)	$ 26,900

Operating grants and contributions constituted 43.6%, Charges for services 42.1%, and unrestricted state aid 14.0% of the total revenues of governmental activities of the Unit for the fiscal year ended June 30, 2021.

Contracted services constituted 38.7%, special instruction 18.6%, general administrative services 16.6%, and psychological services 9.6% of total expenses for governmental activities during the fiscal year ended June 30, 2021.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table III shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues.

Table III
Total and Net Cost of Services
Years Ended June 30,

	Total Cost		Net Cost	
	2021	2020	2021	2020
Special Instruction	$ 418,989	$ 507,348	$(1,399,738)	$(1,311,420)
Psychological Services	215,072	125,325	215,072	125,325
Other Student Support Services	81,674	42,894	81,674	42,894
Governing Board	73,774	54,716	73,774	54,716
General Administrative Services	372,790	361,062	372,790	361,062
Student Transportation	119,698	116,031	43,384	31,326
Other Supporting Services	96,550	96,365	96,550	96,365
Contracted Services	870,163	950,463	870,163	950,463
Total Expenses	$ 2,248,710	$ 2,254,204	$ 353,669	$ 350,731

Financial Analysis of the Government's Funds

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

The Unit's governmental funds had total revenue of $2,212,618 and expenditures of $2,274,940 for the fiscal year ended June 30, 2021. The unassigned fund balance of the Unit's general fund was $478,993.

General Fund Budgetary Highlights

During the year, revenues were more than budgetary estimates by $42,742 and expenditures were more than budgetary estimates by $85,090.

Additional information on the South Valley Multi-District Special Education Unit budget can be found in Note 2 of the audited financial statements that follow this analysis.

Capital Assets

As of June 30, 2021, the South Valley Multi-District Special Education Unit had $48,724 invested in capital assets. Table IV shows the balances at June 30, 2021 and 2020.

Table IV
Capital Assets
(Net of Accumulated Depreciation)
Years Ended June 30,

	2021	2020
Vehicles	$ 48,724	$ 64,282
Total Capital Assets	$ 48,724	$ 64,282

This total represents a net decrease of $15,558 in capital assets from the prior fiscal year. For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 6 of the audited financial statements that follow this analysis.

Debt Administration

As of June 30, 2021, the South Valley Multi-District Special Education Unit had no long-term debt.

For the Future

The Unit approved the upcoming 2021-22 budget, freezing unit assessments. Total revenue budget increased to $2,286,420 and total expenditures budgeted reduced to $2,145,209.

Contacting the Unit's Financial Management

This financial report is designed to provide our parents, taxpayers and creditors with a general overview of the South Valley Multi-District Special Education Unit's finances and to show the Unit's accountability for the money it receives to provide the best possible education to all students enrolled in South Valley Multi-District Special Education Unit. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact John Porter at 102 6th Street SE, Hankinson, North Dakota, 58041, 701-242-7031.

SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Hankinson, North Dakota

STATEMENT OF NET POSITION
June 30, 2021

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 416,073
Due from State Government	59,920
Due from Federal Government	3,000
Total Current Assets	478,993
Capital Assets	
Depreciable, net of accumulated depreciation	
Vehicles	48,724
Total Capital Assets	48,724
Total Assets	527,717
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pension	267,092
Total Deferred Outflows of Resources	267,092
Total Assets and Deferred Outflows of Resources	794,809
LIABILITIES	
Due After One Year	
Compensated Absences	26,104
Pension Liability	943,194
Total Long-term Liabilities	969,298
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	349,480
Total Deferred Inflows of Resources	349,480
Total Liabilities and Deferred Inflows of Resources	1,318,778
NET POSITION (DEFICIT)	
Net Investment in Capital Assets	48,724
Unrestricted (Deficit)	(572,693)
Total Net Position (Deficit)	$ (523,969)

See Notes to Financial Statements

SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Hankinson, North Dakota

STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Special Instruction	$ 418,989	$ 931,271	$ 887,456	$ 1,399,738
Psychological Services	215,072	-	-	(215,072)
Other Student Support Services	81,674	-	-	(81,674)
Governing Board	73,774	-	-	(73,774)
General Administrative Services	372,790	-	-	(372,790)
Student Transportation	119,698	-	76,314	(43,384)
Other Supporting Services	96,550	-	-	(96,550)
Contracted Services	870,163	-	-	(870,163)
	$ 2,248,710	$ 931,271	$ 963,770	(353,669)
General Revenues				
State Aid, not restricted for specific purpose				309,520
Interest and Investment Earnings				217
Miscellaneous				7,840
Total General Revenues				317,577
Change in Net Position				(36,092)
Net Position (Deficit), Beginning of Year				(487,877)
Net Position (Deficit), End of Year				$ (523,969)

See Notes to Financial Statements

SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Hankinson, North Dakota

BALANCE SHEET – GOVERNMENTAL FUND
June 30, 2021

	Major Fund
	General Fund
ASSETS	
Cash and Cash Equivalents	$ 416,073
Due from State Government	59,920
Due from Federal Government	3,000
Total Assets	478,993
FUND BALANCE	
Unassigned	478,993
Total Fund Balance	$ 478,993

See Notes to Financial Statements

SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Hankinson, North Dakota

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2021

Total Fund Balance - Governmental Funds		$	478,993
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	185,175		
Less Accumulated Depreciation	(136,451)		
Net Capital Assets			48,724
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditures when due. All liabilities, both current and long-term are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.			
Compensated Absences	(26,104)		
Pension Liability (net of related outflows and inflows)	(1,025,582)		
Total Long-term Liabilities			(1,051,686)
Total Net Position of Governmental Activities		$	(523,969)

See Notes to Financial Statements

SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Hankinson, North Dakota

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUND
Year Ended June 30, 2021

	Major Fund
	General Fund
REVENUES	
Local Sources	$ 931,271
State Sources	567,810
Federal Sources	705,480
Interest Income	217
Miscellaneous Income	7,840
Total Revenues	2,212,618
EXPENDITURES	
Current	
Special Instruction	460,777
Psychological Services	215,072
Other Student Support Services	94,574
Governing Board	73,774
General Administrative Services	370,210
Student Transportation	93,820
Other Supporting Services	96,550
Contracted Services	870,163
Total Expenditures	2,274,940
Excess (Deficiency) of Revenues over Expenditures	(62,322)
FUND BALANCE, BEGINNING OF YEAR	541,315
FUND BALANCE, END OF YEAR	$ 478,993

See Notes to Financial Statements

SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Hankinson, North Dakota

RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

Net Change in Fund Balance - Total Governmental Funds		$	(62,322)
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 costs of those assets with a cost greater than $5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year.			(15,558)
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 Compensated Absences	418		
Net Decrease in Pension Liability	41,370		
			41,788
Change in Net Position of Governmental Activities		$	(36,092)

See Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the South Valley Multi-District Special Education Unit, Hankinson, North Dakota (the Unit) have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The accompanying financial statements present the activities of the South Valley Multi-District Special Education Unit. The Unit has considered all potential component units for which the Unit is financially accountable and other organizations for which the nature and significance of their relationships with the Unit such that exclusion would cause the Unit's financial statements to be misleading or incomplete. GASB 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 South Valley Multi-District Special Education Unit 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 South Valley Multi-District Special Education Unit.

Based on these criteria, there are no component units to be included within the South Valley Multi-District Special Education Unit as a reporting entity.

B. Basis of Presentation, Basis of Accounting

Government-wide statements - The statement of net position and the statement of activities display information about the primary government (South Valley Multi-District Special Education Unit). Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed intergovernmental revenues, fees and other non-exchange transactions. The statement of activities presents a comparison between direct expenses and program revenues for each function of the Unit's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund financial statements - The fund financial statements provide reports on the financial condition and results of operations for governmental activities. The Unit considers some governmental funds major and reports their financial condition and results of operations in a separate column.

The Unit reports the following major governmental fund:

General Fund **–** The General Fund is the Unit 's primary operating fund and accounts for all financial resources.

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

Government-wide - The government-wide financial statements are reported using the economic resources measurement focus. The government-wide 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 Unit gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

D. Cash

Cash includes amounts in demand deposits and money market accounts. Cash equivalents on the statement of cash flows consist of certificates of deposit with a maturity of three months or more. 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 uninsured balance.

E. Capital Assets

Capital assets include vehicles and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Unit 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 asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

Assets	Years
Vehicles	5
Office Equipment	5

F. Vacation Pay, Sick Pay, Severance

The expenditures for vacation pay are recognized when payment is made. Paid sick leave of 12 days per year of service shall be given to each certified or 12-month employee accumulative to 110 days. Payment of $20 per day will be made for days accumulated in excess of 110 days prior to the present year. The payment will be included with the September payroll of the new contract year and will not exceed 12 days. Non-licensed staff receive paid sick leave equivalent to one work week per year of service, accumulative to three weeks.

Upon termination of employment, the following actions will take place:

1. Staff who have a minimum of 15 years of service in the Unit (employment in other units is not considered) will receive $25 per unused sick day upon retirement up to 110 days.
2. Staff who have less than 15 years of service in the Unit (employment in other units are not considered) will receive $10 per unused sick day upon retirement up to 110 days.
3. Staff who change employment from the Unit to employment with a district member school will receive $10 per unused sick day up to 110 days.
4. Staff who leave the Unit for employment with a non-unit member or other organization will receive no compensation for unused sick days.
5. Payment will be made on retiree's final payroll.

G. Pension Plans

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 Teachers' Fund for Retirement (TFFR) and additions to/deductions from TFFR's fiduciary net position have been determined on the same basis as they are reported by 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.

H. Fund Balance and Net Position

GASB Statement No. 54 established new fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restriction or limitations) imposed upon the use of the resources reported in governmental funds.

Fund Balance Spending Policy:

It is the policy of the South Valley Multi-District Special Education Unit to spend restricted resources first, followed by unrestricted resources. It is also the policy of the Board to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

Budget Stabilization Policy:

Replenishing deficiencies - when fund balance falls below the minimum 10 percent range, the Unit will replenish shortages/deficiencies using the budget strategies and time frames described as follows:

The following budgetary strategies shall be utilized by the Unit to replenish funding deficiencies:

- The Unit will reduce recurring expenditures to eliminate any structural deficit; or
- The Unit will increase revenues or pursue funding sources; or
- Some combination of the two operations above

GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions

GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints and the purpose for which resources can be used:

CLASSIFICATION	DEFINITION	EXAMPLES
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables, endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.

CLASSIFICATION	DEFINITION	EXAMPLES
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. Formal action is required to be taken to establish, modify, or rescind a fund balance commitment.	By board action, construction claims and judgements, retirements of loans and notes payable, capital expenditures, and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the business manager.	By board action, construction claims and judgements, retirements of loans and notes payable, capital expenditures, and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is a fund balance that has not been reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.	Available for any remaining general fund expenditure.

Unassigned Fund Balance

Consists of the amount reported in the General Fund at year-end.

Net Position

The Unit implemented the provisions of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.

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

Net investment in capital assets is reported for capital assets less accumulated depreciation and any related debt used to construct them. The resources needed to repay this related debt must be provided from other sources, since capital assets are not used to liquidate these liabilities. These assets are not available for future spending.

Unrestricted net position is primarily unrestricted amounts related to the general fund. The unrestricted net position is available to meet the Unit’s ongoing obligations.

NOTE 2 – LEGAL COMPLIANCE - BUDGETS

Expenditures over Appropriations – General fund expenditures exceeded appropriations by $85,090 for the year ended June 30, 2021. Expenditures for out-of-unit student placements, professional contracted services and staff credits exceeded budgeted amounts. Revenues in excess of budgeted amounts came from Medicaid and student contracts.

NOTE 3 – DEPOSITS AND INVESTMENTS

In accordance with North Dakota Statutes, the Unit maintains deposits at the depository banks designed 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, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the State of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board. At year end June 30, 2021, the Unit’s carrying amounts of deposits was $416,073 and the bank balances were $937,799. Of the bank balances, $250,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by pledging financial institution’s agent in the government’s name.

Credit Risk:

The Unit may invest idle funds as authorized in North Dakota Statues, 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 the type listed above.

3. Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation.

4. Obligations of the state.

As of June 30, 2021, the Unit held no certificates of deposit.

Interest Rate Risk:

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

Concentration of Credit Risk:

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

NOTE 4 – DUE FROM STATE AND FEDERAL GOVERNMENTS

The amount due from state and federal government consists of reimbursement claims for various projects.

NOTE 5 – CAPITAL ASSETS

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

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021
Governmental Activities:				
Capital Assets, being depreciated				
Vehicles	$ 172,275	$ 12,900	$ -	$ 185,175
Total Capital Assets, being depreciated	172,275	12,900	-	185,175
Less Accumulated Depreciation for:				
Vehicles	107,993	28,458	-	136,451
Total Accumulated Depreciation	107,993	28,458	-	136,451
Total Capital Assets Being Depreciated, net	64,282	(15,558)	-	48,724
Governmental Activities Capital Assets, net	$ 64,282	$ (15,558)	$ -	$ 48,724

Depreciation expense was charged to functions/programs of the Unit as follows:

Governmental Activities:	
General Administrative Services	$ 2,580
Student Transportation	25,878
Total Depreciation Expense - Governmental Activities	$ 28,458

NOTE 6 – LONG-TERM LIABILITIES

During the year ended June 30, 2021, the following changes occurred in liabilities reported in long-term liabilities:

	Balance July 1, 2020	Net Change*	Balance June 30, 2021
Governmental Activities:			
Compensated Absences	$ 26,522	$ (418)	$ 26,104
Pension Liabilities	974,666	(31,472)	943,194
Total Liabilities	$ 1,001,188	$ (31,890)	$ 969,298

*The change in compensated absences and pension liabilities is shown as a net change because changes in salary prohibit exact calculations of additions and reductions.

NOTE 7 – DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the fund financial statements consist of amounts for which asset recognition criteria have been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. Deferred inflows of resources on the statement of net position consist of related pension expense of $349,480.

NOTE 8 – DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources in the fund financial statements consist of amounts for which liability recognition criteria have been met, but for which expense recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. Deferred outflows of resources on the statement of net position consist of related pension expense of $267,092.

NOTE 9 – RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Unit pays an annual premium to NDIRF for its general liability, auto and public assets insurance coverage. The coverage by NDIRF is limited to losses of $2,000,000 per occurrence for general liability, $1,000,000 for auto coverage, and $127,944 for public assets coverage.

The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of $613,898 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The Unit participates in the North Dakota Workforce Safety & Insurance and purchases commercial insurance for employee health and boiler and machinery insurance. Settled claims resulting from these above risks have not exceeded insurance coverage in any of the past three fiscal years.

The Unit has elected to be self-insured and retain all risk for liabilities resulting from claims of unemployment benefits. During the year ended June 30, 2021, claims in the amount of $5,512 were filed for unemployment benefits.

NOTE 10 – PENSION PLANS

North Dakota Teacher's Fund for Retirement

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-Grandfathered

A Tier 1 non-grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early 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 govern-mental 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. Re-funded 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, 2021, the Unit reported a liability of $943,194 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial calculation as of that date. The Unit's proportion of the net pension liability was based on the Unit's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employees. At June 30, 2020 the Unit's proportion was .061626 percent which was a decrease of .009142 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Unit recognized pension expenses of $19,652. At June 30, 2021, the Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	$ 194	$ 35,396
Changes of assumptions	58,225	-
Net difference between projected and actual investment earnings on pension plan investments	42,452	314,084
Changes in proportion and differences between employer contributions and proportionate share of contributions	105,199	-
Employer contributions subsequent to the measurement date	61,022	-
Total deferred outflows and inflows of resources	$ 267,092	$ 349,480

$61,022 reported as deferred outflows of resources related to pensions resulting from the Unit contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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

Year ended June 30:

2022	$	(62,525)
2023		(74,074)
2024		8,675
2025		17,602
2026		(33,088)

Actuarial Assumptions

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

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

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

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

As a result of the March 19, 2020 actuarial experience study, the TFFR Board adopted several assumption changes, including the following:

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

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

The long-term expected rate of return on 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 pension plan's target asset allocation as of July 1, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equities	58%	6.9%
Global Fixed Income	23%	1.3%
Global Real Assets	18%	5.0%
Cash Equivalents	1%	0.0%

Discount Rate

The discount rate used to measure the total pension liability was 7.25% percent as of June 30, 2020. 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, 2020, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the 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, 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, 2020.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension liability	$ 1,256,284	$ 943,194	$ 683,000

Pension plan fiduciary net position

Detailed information is located in the North Dakota Retirement and Investments Office's Comprehensive Annual Financial Report the for the fiscal year ended June 30, 2020. Additional financial and actuarial information is available on their website, www.nd.gov/rio, or may be obtained by writing to RIO at ND Retirement and Investment Office, 1930 Burnt Boat Drive, PO Box 7100, Bismarck, North Dakota, 58507-7100 or by calling (701) 328-9885.

NOTE 11 – SUBSEQUENT EVENTS

The Unit has evaluated subsequent events through October 6, 2021, the date on which the financial statements were available to be issued.

SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Hankinson, North Dakota

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local Sources	$ 952,255	$ 952,255	$ 931,271	$ (20,984)
State Sources	511,000	511,000	567,810	56,810
Federal Sources	701,421	701,421	705,480	4,059
Interest Income	200	200	217	17
Miscellaneous Income	5,000	5,000	7,840	2,840
Total Revenues	2,169,876	2,169,876	2,212,618	42,742
EXPENDITURES				
Current				
Special Instruction	542,923	542,923	460,777	82,146
Psychological Services	204,896	204,896	215,072	(10,176)
Other Student Support Services	79,100	79,100	94,574	(15,474)
Governing Board	52,350	52,350	73,774	(21,424)
General Administrative Services	377,168	377,168	370,210	6,958
Student Transportation	116,837	116,837	93,820	23,017
Other Supporting Services	107,055	107,055	96,550	10,505
Contracted Services	709,521	709,521	870,163	(160,642)
Total Expenditures	2,189,850	2,189,850	2,274,940	(85,090)
Excess (Deficiency) of Revenues over Expenditures	(19,974)	(19,974)	(62,322)	(82,296)
FUND BALANCE, BEGINNING OF YEAR			541,315	
FUND BALANCE, END OF YEAR			$ 478,993	

SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Hankinson, North Dakota

PENSION SCHEDULES
Year Ended June 30, 2021

Schedule of Employer's Share of Net Pension Liability
ND Teacher's Fund for Retirement (TFFR)
Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	6.162600%	0.070769%	0.071338%	0.058043%	0.066802%	0.113783%	0.108350%
District's proportionate share of the net pension liability (asset)	943,194	974,666	950,834	797,244	978,692	1,488,117	1,135,316
District's covered-employee payroll	449,663	496,464	484,962	391,778	434,031	699,887	628,490
District proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	209.76%	196.32%	196.06%	203.49%	225.49%	212.62%	180.64%
Plan fiduciary net position as a percentage of the total pension liability	63.40%	65.50%	65.50%	63.20%	59.20%	62.10%	66.60%

Schedule of Employer Contributions
ND Teacher's Fund for Retirement (TFFR)
Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	57,333	63,299	61,833	49,952	55,339	89,231	67,562
Contributions in relation to statutorily required contribution	(57,333)	(63,299)	(61,833)	(49,952)	(55,339)	(89,231)	(67,562)
Contribution deficiency (excess)	-	-	-	-	-	-	-
Employer's covered-employee payroll	449,663	496,464	484,962	391,778	434,031	699,887	628,490
Contributions as a percentage of covered-employee payroll	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%	10.75%

*Complete data for these schedules is not available prior to 2015
**The measurement date of the net pension liability is June 30th of the prior year

NOTE 1 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The Board of Directors adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States for the general fund.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- The budget is prepared annually by the director.
- The board reviewed the budget, may make revisions and approves it on or before July 15. The budget must be filed by August 15th.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the business manager at the revenue and expenditure function/object level.
- The current budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- All appropriations lapse at year-end.

NOTE 2 - NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT CHANGES OF ASSUMPTIONS

Changes of assumptions.

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

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

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

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

Nadine Julson, LLC
Certified Public Accountants

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*

Board of Directors
South Valley Multi-District Special Education Unit
Hankinson, 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 South Valley Multi-District Special Education Unit, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the South Valley Multi-District Special Education Unit's basic financial statements, and have issued our report thereon dated October 6, 2021.

Report on Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (2021-001).

Nadine Julson, LLC

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A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies (2021-002).

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Valley Multi-District Special Education Unit's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these 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.*

Unit 's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the South Valley Multi-District Special Education Unit's response to the findings identified in our audit and described in the accompanying schedule of current year findings. The South Valley Multi-District Special Education Unit 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 Unit'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 Unit's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Nadine Julson, LLC

Nadine Julson, LLC
Wahpeton, North Dakota
October 6, 2021

SCHEDULE OF CURRENT YEAR FINDINGS
Year ended June 30, 2021

2021-001 – FINANCIAL STATEMENT PREPARATION

Criteria

A good system of internal accounting control contemplates an adequate system for the preparation of the financial statements, including recording government wide journal entries in order to reconcile from the fund financials to the government wide financials and ensuring all general ledger accounts are properly reflected on a GAAP basis.

Condition

The Unit does not have an internal control system designed to provide for the preparation of the financial statements being audited, including recording government wide journal entries. As auditors, we were requested to draft the financial statements, which include proposing government wide journal entries, and drafting the accompanying notes to the financial statements.

Effect of Potential Effect

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

Recommendation

We recommend the Unit be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. As a compensating control, the Unit should establish an internal control policy to document annual review of the financial statements and to review a financial statement disclosure checklist.

Views of Responsible Officials

The Unit will continue to have the auditor prepare the financial statements. It is currently not cost-effective for management to perform the preparation.

2021-002 INADEQUATE SEGREGATION OF DUTIES

Criteria

The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

Condition

Proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel, so duties of employees are properly segregated. More segregation of duties would provide better control over the assets of the Unit.

Effect or Potential Effect

Without sufficient segregation of duties, the risk significant increases that errors and fraud related to cash receipts, disbursements, and reconciliations, including misappropriation of assets, could occur and not be detected within a timely basis.

Cause

The entity's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Recommendation

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the Unit. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

Views of Responsible Officials

There is no disagreement with the audit finding and we understand that this will be a repeated recommendation due to the limited amount of resources of the Unit. The Unit will segregate functions where feasible.

SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Hankinson, North Dakota

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2021

Prior Financial Statement Findings:

2020-001
A material weakness was reported for preparation of financial statements.

Corrective Action Plan

The accounting functions should be reviewed to determine if it is feasible for the Unit to prepare its own financial statements. This material weakness continues to exist under the current audit findings as number 2021-001.

2020-002
A significant deficiency was reported for inadequate segregation of duties.

Corrective Action Plan

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the Unit. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements. This material weakness continues to exist under the current audit findings as finding number 2021-001.