

**EDMORE PUBLIC SCHOOL DISTRICT**  
**Edmore, North Dakota**

**AUDITED FINANCIAL STATEMENTS**  
**Year Ended June 30, 2021**

**EDMORE PUBLIC SCHOOL DISTRICT**  
**Edmore, North Dakota**

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**June 30, 2021**

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**EDMORE PUBLIC SCHOOL DISTRICT**  
**Edmore, North Dakota**

**OFFICIAL DIRECTORY**  
**June 30, 2021**

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Douglas Freije	President
Ryan Lorenz	Vice-President
Sandra Knoke	Board Member
Justin Grohs	Board Member
Amanda Fincher	Board Member
Frank Schill	Superintendent
Diane Martinson	Business Manager



## INDEPENDENT AUDITOR'S REPORT

School Board  
Edmore Public School District  
Edmore, North Dakota

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Edmore Public School District, Edmore, North Dakota, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Edmore Public School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Other Matters***

### ***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, schedules of employer's proportionate share of net pension liability, schedules of employer contributions, and notes to required supplementary information presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Edmore Public School District's basic financial statements. The nonmajor governmental funds – combining balance sheet and nonmajor governmental funds – schedule of revenues, expenditures, and changes in fund balance are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The nonmajor governmental funds – combining balance sheet and nonmajor governmental funds – schedule of revenues, expenditures, and changes in fund balance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the nonmajor governmental funds – combining balance sheet and nonmajor governmental funds – schedule of revenues, expenditures, and changes in fund balance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 July 19, 2022 on our consideration of Edmore Public School 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 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 Edmore Public School District's internal control over financial reporting and compliance.



Nadine Julson, LLC  
Wahpeton, North Dakota  
July 19, 2022

**EDMORE PUBLIC SCHOOL DISTRICT**  
**Edmore, North Dakota**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2021**

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The Management's Discussion and Analysis (MD&A) of Edmore Public School District's financial performance provides an overall review of the District'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 District'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:

The District began the year with an unassigned general fund balance of \$822,065 and took in revenues of \$1,885,820 with total expenditures of \$1,503,709, leaving an unassigned fund balance at yearend of \$1,229,159. We received a remarkable amount of federal grants due to the COVID pandemic, which afforded us the opportunity to make some adjustments in our staffing, technology/server, and to purchase some items for increased air quality within the facility, with a reduction in some of our general fund dollar needs. We also installed a new playground in October. Even though we have new boilers, our infrastructure is still quite old and requires frequent maintenance. Declining enrollment continues, but the staffing necessary causes an increased per pupil expenditure. We were also able to sell a bus that was no longer required.

**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 Edmore Public School District 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 District, presenting both an aggregate view of the District'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. The fund financial statements also look at the District's general fund with all other governmental funds presented in total in one column.

**Reporting on the District as a Whole**

*Statement of Net Position and Statement of Activities*

These statements are summaries of all the funds used by the Edmore Public School District to provide programs and activities and attempt to answer the question "How did the District do financially during the year ended June 30, 2021?"

The Statement of Net Position presents information on all the District'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 District is improving or deteriorating.

The Statement of Activities presents information on how the District'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 (for example, uncollected taxes).

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

**EDMORE PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis - Continued**

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In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, regular instruction, federal programs, special education, vocational education, administration, food services, operation and maintenance of buildings and grounds, student transportation, and co-curricular activities.

The government-wide financial statements can be found on pages 9-10 of this report.

**Reporting on the District's Most Significant Funds**

*Balance Sheet - Governmental Funds*

The District uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and donations). The fund basic financial statements allow the District to demonstrate its stewardship over the accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the District's major funds. Using the criteria established by GASB Statement No. 34, the District's general fund and capital projects are considered a "major fund."

The District's other funds, food service and special reserve fund, are used to account other financial transactions and are summarized under the heading "Other Governmental Funds".

The basic governmental fund financial statements can be found on pages 11-14 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 financial statements can be found on pages 15-26 of this report.

The combining statements referred to earlier in connection with nonmajor government funds can be found on pages 30-31 of this report.

**Financial Analysis of the District as a Whole**

Table I provides a summary of the District'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 Edmore Public School District, net position increased by \$153,284 for the year ending June 30, 2021.

The District's net position at June 30, 2021 is segregated into three separate categories. Net position invested in capital assets (net of related debt) are not available for future spending. Restricted net position represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted net positions are available to meet the District's ongoing obligations.

**EDMORE PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis - Continued**

**Table I**  
**Net Position**  
**June 30,**

	2021	2020
<b>Assets and Deferred Outflows of Resources</b>		
Current Assets	\$ 1,944,814	\$ 1,716,687
Capital Assets, net of depreciation	1,023,421	991,659
Deferred Outflows of Resources	320,871	256,692
<b>Total Assets and Deferred Outflows of Resources</b>	<b>3,289,106</b>	<b>2,965,038</b>
<b>Liabilities and Deferred Inflows of Resources</b>		
Current Liabilities	25,366	-
Long-term Liabilities	1,637,022	1,530,077
Deferred Inflows of Resources	154,440	115,967
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>1,816,828</b>	<b>1,646,044</b>
<b>Net Position</b>		
Net Investment in Capital Assets	1,023,421	991,659
Restricted	649,309	829,077
Unrestricted (Deficit)	(200,452)	(501,742)
<b>Total Net Position</b>	<b>\$ 1,472,278</b>	<b>\$ 1,318,994</b>

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
<b>Revenues</b>		
<b>Program Revenues</b>		
Charges for Services	\$ 151,860	\$ 180,485
Operating Grants and Contributions	262,621	165,174
<b>General Revenues</b>		
Property Taxes	856,311	868,404
State Aid-Unrestricted	632,441	526,935
Interest and Miscellaneous Earnings	10,749	52,607
<b>Total Revenues</b>	<b>1,913,982</b>	<b>1,793,605</b>
<b>Expenses</b>		
Regular Instruction	712,542	743,826
Special Instruction	148,761	55,518
Vocational Instruction	39,504	76,604
Pupil Services	49,778	140,299
General Administration Services	145,557	173,645
School Administration Services	139,735	130,258
Operation and Maintenance	237,115	396,637
Pupil Transportation	125,114	184,603
Student Activities	55,299	59,215
School Food Services	79,462	74,313
Community Services	27,831	14,867
<b>Total Expenses</b>	<b>1,760,698</b>	<b>2,049,785</b>
<b>Change in Net Position</b>	<b>\$ 153,284</b>	<b>\$ (256,180)</b>



**EDMORE PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis - Continued**

Property tax constituted 44.7%, unrestricted state aid 33.0%, operating grants and contributions 13.7%, and charges for services 7.9% of the total revenues of governmental activities of the District for the fiscal year ended June 30, 2021.

Regular instruction constituted 40.5%, operation and maintenance 13.5%, special instruction 8.4%, and general administration 8.3% 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
Regular Instruction	\$ 712,542	\$ 743,826	\$ 529,855	\$ 687,870
Special Instruction	148,761	55,518	21,700	(83,510)
Vocational Instruction	39,504	76,604	32,953	64,384
Pupil Services	49,778	140,299	49,778	140,299
General Administration Services	145,557	173,645	145,557	173,645
School Administration Services	139,735	130,258	139,735	130,258
Operation and Maintenance	237,115	396,637	237,115	396,637
Pupil Transportation	125,114	184,603	86,461	114,218
Student Activities	55,299	59,215	33,652	38,681
School Food Services	79,462	74,313	41,580	26,777
Community Services	27,831	14,867	27,831	14,867
Total Expenses	<u>\$ 1,760,698</u>	<u>\$ 2,049,785</u>	<u>\$ 1,346,217</u>	<u>\$ 1,704,126</u>

**Financial Analysis of the Governmental Funds**

The purpose of the District'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 District'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 District's governmental funds had total revenue of \$1,924,394 and expenditures of \$1,727,181 for the fiscal year ended June 30, 2021. The unassigned fund balance of the District's general fund was \$1,229,159.

**General Fund Budgetary Highlights**

During the year, revenues were less than budgetary estimates by \$231,195, expenditures were less than budgetary estimates by \$426,854 and ending fund balance was more than budgetary estimates by \$195,459.

Additional information on the Edmore Public School District budget can be found in Note 2 of the audited financial statements that follow this analysis.

**EDMORE PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis - Continued**

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**Capital Assets**

As of June 30, 2021, the Edmore Public School District had \$1,023,421 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
Buildings and Improvements	\$ 707,489	\$ 725,624
Vehicles	134,780	174,450
Equipment	181,152	91,585
Total Capital Assets	<u>\$ 1,023,421</u>	<u>\$ 991,659</u>

This total represents a net increase of \$31,762 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 7 of the audited financial statements that follow this analysis.

**Debt Administration**

As of June 30, 2021, the Edmore Public School District had no outstanding debt.

**For the Future**

ESSER funds will continue to assist in meeting our educational needs. As a result of the ESSER funding, the school board decided to lower the mill levy rate to avoid adding to reserves as our longevity has moved to the forefront of our planning. We anticipate moving to a slight level of deficit spending. We will purchase a dishwasher and continue to look at facility projects that will maintain the infrastructure. Due to the shortage of teachers in the nation, and inability to recruit staff to our rural area, the board will be looking at innovative ways to attract and retain staff. With sharing of services and other cost efficiencies, the District has maintained a financially stable condition throughout the pandemic.

**Contacting the Districts Financial Management**

This financial report is designed to provide our parents, taxpayers and creditors with a general overview of the Edmore Public School District's finances and to show the District's accountability for the money it receives to provide the best possible education to all students enrolled in Edmore Public School District. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact [diane.martinson@k12.nd.us](mailto:diane.martinson@k12.nd.us) at 706 N. Main St., Edmore, North Dakota, 58330, 701-644-2281.

**EDMORE PUBLIC SCHOOL DISTRICT**  
**Edmore, North Dakota**

**STATEMENT OF NET POSITION**  
**June 30, 2021**

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	<u>2021</u>
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 1,506,056
Savings and CD's	317,795
Due from State Government	4,817
Due from Federal Government	79,571
Taxes Receivable	<u>36,575</u>
Total Current Assets	1,944,814
Capital Assets	
Depreciable, net of accumulated depreciation	
Buildings and Improvements	707,489
Vehicles	134,780
Equipment	<u>181,152</u>
Total Capital Assets	<u>1,023,421</u>
Total Assets	2,968,235
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflows Related to Pension	<u>320,871</u>
Total Assets and Deferred Outflows of Resources	3,289,106
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	<u>25,366</u>
Total Current Liabilities	25,366
Due After One Year	
Pension Liability	<u>1,637,022</u>
Total Long-term Liabilities	<u>1,637,022</u>
Total Liabilities	1,662,388
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflows Related to Pensions	<u>154,440</u>
Total Liabilities and Deferred Inflows of Resources	1,816,828
<b>NET POSITION</b>	
Net Investment in Capital Assets	1,023,421
Restricted	649,309
Unrestricted (Deficit)	<u>(200,452)</u>
Total Net Position	<u>\$ 1,472,278</u>

See Notes to Financial Statements

**EDMORE PUBLIC SCHOOL DISTRICT**  
**Edmore, North Dakota**

**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2021**

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Regular Instruction	\$ 712,542	\$ -	\$ 182,687	\$ (529,855)
Special Instruction	148,761	127,061	-	(21,700)
Vocational Instruction	39,504	-	6,551	(32,953)
Pupil Services	49,778	-	-	(49,778)
General Administration Services	145,557	-	-	(145,557)
School Administration Services	139,735	-	-	(139,735)
Operation and Maintenance	237,115	-	-	(237,115)
Pupil Transportation	125,114	-	38,653	(86,461)
Student Activities	55,299	21,647	-	(33,652)
School Food Services	79,462	3,152	34,730	(41,580)
Community Services	27,831	-	-	(27,831)
	<u>\$ 1,760,698</u>	<u>\$ 151,860</u>	<u>\$ 262,621</u>	(1,346,217)
General Revenues				
Taxes				
				856,302
				9
				632,441
				6,293
				4,165
				291
				<u>1,499,501</u>
				153,284
				<u>1,318,994</u>
				<u>\$ 1,472,278</u>

See Notes to Financial Statements

**EDMORE PUBLIC SCHOOL DISTRICT**  
**Edmore, North Dakota**

**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**June 30, 2021**

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Capital Projects		
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 886,193	\$ 473,199	\$ 146,664	\$ 1,506,056
Savings and CD's	317,795	-	-	317,795
Due from State Government	4,817	-	-	4,817
Due from Federal Government	79,571	-	-	79,571
Taxes Receivable	36,563	6	6	36,575
Total Assets	1,324,939	473,205	146,670	1,944,814
<b>LIABILITIES</b>				
Accounts Payable	22,040	3,326	-	25,366
Total Liabilities	22,040	3,326	-	25,366
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	36,563	6	6	36,575
Total Deferred Inflows of Resources	36,563	6	6	36,575
<b>FUND BALANCE</b>				
Restricted	37,177	469,873	142,247	649,297
Assigned	-	-	4,417	4,417
Unassigned	1,229,159	-	-	1,229,159
Fund Balance	1,266,336	469,873	146,664	1,882,873
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 1,324,939	\$ 473,205	\$ 146,670	\$ 1,944,814

See Notes to Financial Statements

**EDMORE PUBLIC SCHOOL DISTRICT**  
**Edmore, North Dakota**

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

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Total Fund Balance - Governmental Funds		\$ 1,882,873
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	2,208,219	
Less Accumulated Depreciation	<u>(1,184,798)</u>	
Net Capital Assets		1,023,421
Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the funds.		
		36,575
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 expenditure 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.		
Pension Liability (net of related outflows and inflows)		<u>(1,470,591)</u>
Total Net Position of Governmental Activities		<u>\$ 1,472,278</u>

See Notes to Financial Statements

**EDMORE PUBLIC SCHOOL DISTRICT**  
**Edmore, North Dakota**

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

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Capital Projects		
<b>REVENUES</b>				
Local Sources	\$ 999,133	\$ 194	\$ 3,296	\$ 1,002,623
State Sources	675,912	-	180	676,092
Federal Sources	184,420	-	34,550	218,970
Interest Income	5,939	265	89	6,293
Miscellaneous Income	20,416	-	-	20,416
Total Revenues	1,885,820	459	38,115	1,924,394
<b>EXPENDITURES</b>				
Current				
Regular Instruction	607,031	-	-	607,031
Special Instruction	148,761	-	-	148,761
Vocational Instruction	39,504	-	-	39,504
Pupil Services	49,778	-	-	49,778
General Administration Services	145,557	-	-	145,557
School Administration Services	139,735	-	-	139,735
Operation and Maintenance	157,777	57,655	-	215,432
Pupil Transportation	100,825	-	-	100,825
Student Activities	55,299	-	-	55,299
School Food Services	31,611	-	44,049	75,660
Community Services	27,831	-	-	27,831
Facilities Acquisition and Construction	-	121,768	-	121,768
Total Expenditures	1,503,709	179,423	44,049	1,727,181
Excess (Deficiency) of Revenues over Expenditures	382,111	(178,964)	(5,934)	197,213
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfer In	24,297	-	-	24,297
Operating Transfer Out	-	-	(24,297)	(24,297)
Total Other Financing Sources (Uses)	24,297	-	(24,297)	-
NET CHANGE IN FUND BALANCE	406,408	(178,964)	(30,231)	197,213
FUND BALANCE, BEGINNING OF YEAR	859,928	648,837	176,895	1,685,660
FUND BALANCE, END OF YEAR	\$ 1,266,336	\$ 469,873	\$ 146,664	\$ 1,882,873

See Notes to Financial Statements

**EDMORE PUBLIC SCHOOL DISTRICT**  
**Edmore, North Dakota**

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

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Net Change in Fund Balance - Total Governmental Funds	\$ 197,213
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 capital outlays exceeded depreciation in the current year.	47,722
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 Pension Liability	(81,239)
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold.	(15,960)
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 an increase in taxes receivable.	5,548
Change in Net Position of Governmental Activities	<u>\$ 153,284</u>

See Notes to Financial Statements



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

The financial statements of the Edmore Public School District, Edmore, North Dakota (the District) 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 Edmore Public School District. The District has considered all potential component units for which the District is financially accountable and other organizations for which the nature and significance of their relationships with the District such that exclusion would cause the District's financial statements to be misleading or incomplete. 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 Edmore Public 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 Edmore Public School District.

Based on these criteria, there are no component units to be included within the Edmore Public School District 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 (Edmore Public School District). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, 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 District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund financial statements - The fund financial statements provide reports on the financial condition and results of operations of governmental fund categories. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

1. General Fund – The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. Capital Projects Fund – Used to account for financial resources related to capital outlays made by the District.

**EDMORE PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements – Continued**

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Additionally, the District reports the following governmental fund types that are included in non-major funds:

1. Governmental Funds

- a. Special Reserve Fund – Used to account for resources restricted to, or designated for, specific purposes by the District.
- b. Food Service Fund – Used to account for food service revenues and expenditures.

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

Government-wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the 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.

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 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 District 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 District's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

**D. Cash and Investments**

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 less. 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 land, buildings, and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the 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 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.

**EDMORE PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements – Continued**

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	50
Vehicles and Equipment	10

**F. Vacation Pay, Sick Pay, Severance**

Employee's unused sick leave bank can be accumulated up to 65 days with an additional 15 days grated at the beginning of each contract year, not to exceed 80 days total for that contracted year. At the end of the year, teachers will be compensated for any unused sick leave over 65 days at a rate of \$25 per day after 3 years of employment. Upon resignation in good standing or retirement after 3 years with the District, the total banked sick leave will be paid out at \$25 per day.

**G. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the government activities statement of net position. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material. 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 while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**H. 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 the additions to/deductions from TFFR 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.

**I. Fund Balance**

In the fund financial statements, governmental funds report fund balance in the classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

1. Nonspendable
  - a. Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. They include items such as, but not limited to, inventories, prepaid items, or the permanent principal of endowment funds.
2. Restricted
  - a. 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.
3. Committed
  - a. 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 School Board. Formal action is required to be taken to establish, modify, or rescind a fund balance commitment.
4. Assigned
  - a. 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.
5. Unassigned
  - a. 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.

**EDMORE PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements – Continued**

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It is the policy of the District to spend restricted resources first, followed by unrestricted resources. It is also the policy of the District to spend unrestricted resources in the following order: committed, assigned, and then unassigned.

**J. Net Position**

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District’s financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows or resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

**K. 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. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. In the government-wide financial statements, interfund transactions have been eliminated.

**NOTE 2 – LEGAL COMPLIANCE – BUDGETS**

Expenditures over Appropriations – General fund expenditures were less than appropriations by \$426,854 for the year ended June 30, 2021. The District budgeted amounts for operation and maintenance projects that were not completed due to restrictions from the COVID pandemic. Expenditures for pupil services, regular instruction, and general administrative services were less than budgeted amounts.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

In accordance with North Dakota Statutes, the District 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 District’s carrying amounts of deposits was \$1,823,851 and the bank balances were \$1,927,521. Of the bank balances, \$250,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with an irrevocable standby letter of credit held by the pledging financial institution’s agent in the District’s name.

**EDMORE PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements – Continued**

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*Credit Risk:*

The District 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 District had \$300,134 invested in certificates of deposit.

*Interest Rate Risk:*

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

**NOTE 4 – TAXES RECEIVABLE**

The taxes receivable represents the past five 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 authority. 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 on property taxes is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

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

**EDMORE PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements – Continued**

**NOTE 5 – ACCOUNTS RECEIVABLE**

Accounts receivable consists of amounts due from federal and state governments for reimbursement claims for various projects. Reimbursement claims from the federal government is passed through the state.

**NOTE 6 – DUE FROM COUNTY**

Due from county represents the amount of taxes collected prior to year-end that are distributed to the District shortly after June 30, 2021.

**NOTE 7 – 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				
Buildings and Improvements	\$ 1,536,757	\$ -	\$ -	\$ 1,536,757
Vehicles	290,300	-	(53,200)	237,100
Equipment	312,594	121,768	-	434,362
<b>Total Capital Assets, being depreciated</b>	<b>2,139,651</b>	<b>121,768</b>	<b>(53,200)</b>	<b>2,208,219</b>
Less Accumulated Depreciation for:				
Buildings and Improvements	811,133	18,135	-	829,268
Vehicles	115,850	23,710	(37,240)	102,320
Equipment	221,009	32,201	-	253,210
<b>Total Accumulated Depreciation</b>	<b>1,147,992</b>	<b>74,046</b>	<b>(37,240)</b>	<b>1,184,798</b>
<b>Total Capital Assets Being Depreciated, net</b>	<b>991,659</b>	<b>47,722</b>	<b>(15,960)</b>	<b>1,023,421</b>
<b>Governmental Activities Capital Assets, net</b>	<b>\$ 991,659</b>	<b>\$ 47,722</b>	<b>\$ (15,960)</b>	<b>\$ 1,023,421</b>

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

Governmental Activities:	
Regular Instruction	\$ 24,272
Operation and Maintenance	21,683
Pupil Transportation	24,289
School Food Services	3,802
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 74,046</b>

**EDMORE PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements – Continued**

**NOTE 8 – LONG-TERM LIABILITIES**

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

	Long-term Liabilites at July 1, 2020	Increases	Decreases	Long-term Liabilites at June 30, 2021	Due Within One Year
Governmental Activities					
Pension Liability*	\$ 1,530,077	\$ 106,945	\$ -	\$ 1,637,022	\$ -
Total - Governmental Activities	<u>\$ 1,530,077</u>	<u>\$ 106,945</u>	<u>\$ -</u>	<u>\$ 1,637,022</u>	<u>\$ -</u>

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

**NOTE 9 – 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 and include taxes receivables of \$36,575. Deferred inflows of resources on the statement of net position consist of related pension expense of \$154,440.

**NOTE 10 – 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 \$320,871.

**NOTE 11 – RISK MANAGEMENT**

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The District pays an annual premium to NDIRF for its general liability, auto and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$4,000,000 per occurrence for general liability and auto coverage.

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of \$2,000,000 per occurrence during a twelve-month period. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$710,121 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The District 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 District 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, no claims were filed for unemployment benefits.

**NOTE 12 – 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 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. 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 District reported a liability of \$1,637,022 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 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 employees. At June 30, 2020 the District's proportion was .106959% which was a decrease of .004137% from its proportion measured as of June 30, 2019. For the year ended June 30, 2021, the District recognized pension expenses of \$166,580.

**EDMORE PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements – Continued**

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 338	\$ 61,434
Changes in assumptions	73,680	-
Net difference between projected and actual investment earnings	101,056	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	60,455	93,006
Employer contributions subsequent to the measurement date	85,342	-
Totals	<u>\$ 320,871</u>	<u>\$ 154,440</u>

\$85,342 reported as deferred outflows of resources related to pensions resulting from the District 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:

<u>Year ended June 30</u>	
2022	\$ 23,948
2023	13,668
2024	23,943
2025	26,147
2026	(3,347)
Thereafter	(3,268)

**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 expenses
Cost-of-living-adjustments	None

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

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

**EDMORE PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements – Continued**

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equities	58%	6.90%
Global Fixed Income	23%	1.30%
Global Real Assets	18%	5.00%
Cash Equivalents	1%	0.00%

**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 July 1, 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 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%, as well as what the District’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	\$ 2,180,425	\$ 1,637,022	\$ 1,185,426

**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](http://www.nd.gov/rio/sib/publications/cafr/default.htm).

**NOTE 14 – JOINT VENTURE**

The District participates in the following joint venture:

*Lake Region Special Education District*

Formed for the purpose of providing special education services to the member school districts. The governing board is composed of representatives from the member school districts, who are superintendents. The board is responsible for adopting the budget and setting service fees at a level adequate to fund the adopted budget. The District retains no equity in the net assets of the special education district but does have a responsibility to fund deficits in proportion to the relative participation described above. Separate financial statements for this joint venture can be obtained from the Lake Region Special Education District.

**NOTE 15 – NONMONETARY TRANSACTIONS**

The District receives food commodities from the federal government to subsidize its food service program. The market value of commodities received for the year ended June 30, 2021 was \$2,719.

**NOTE 16 – CONCENTRATIONS**

The District receives a substantial amount of its support from federal and state governments. A significant reduction in this support may have a material effect on the District’s programs and its continued operations.

**NOTE 17 – TRANSFERS**

A transfer was made from the food service fund to general fund during the year for reimbursed expenses.

**NOTE 18 – SUBSEQUENT EVENTS**

The District has evaluated subsequent events through July 19, 2022, the date on which the financial statements were available to be issued. The District continues to evaluate declining enrollment numbers and continual operations of the District.

**EDMORE PUBLIC SCHOOL DISTRICT**  
**Edmore, North Dakota**

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Local Sources	\$ 1,190,712	\$ 1,190,712	\$ 999,133	\$ (191,579)
State Sources	676,482	676,482	675,912	(570)
Federal Sources	193,321	193,321	184,420	(8,901)
Interest Income	6,000	6,000	5,939	(61)
Miscellaneous Income	50,500	50,500	20,416	(30,084)
Total Revenues	2,117,015	2,117,015	1,885,820	(231,195)
<b>EXPENDITURES</b>				
Current				
Regular Instruction	659,419	659,419	607,031	52,388
Special Instruction	148,572	148,572	148,761	(189)
Vocational Instruction	50,414	50,414	39,504	10,910
Pupil Services	104,776	104,776	49,778	54,998
General Administration Services	173,227	173,227	145,557	27,670
School Administration Services	152,895	152,895	139,735	13,160
Operation and Maintenance	370,918	370,918	157,777	213,141
Pupil Transportation	126,168	126,168	100,825	25,343
Student Activities	73,586	73,586	55,299	18,287
School Food Services	42,799	42,799	31,611	11,188
Community Services	27,789	27,789	27,831	(42)
Total Expenditures	1,930,563	1,930,563	1,503,709	426,854
Excess of Revenues over Expenditures	186,452	186,452	382,111	195,659
<b>OTHER FINANCING SOURCES</b>				
Operating Transfer In	24,497	24,497	24,297	(200)
Total Other Financing Sources	24,497	24,497	24,297	(200)
<b>NET CHANGE IN FUND BALANCE</b>	210,949	210,949	406,408	195,459
<b>FUND BALANCE, BEGINNING OF YEAR</b>			859,928	
<b>FUND BALANCE, END OF YEAR</b>			<u>\$ 1,266,336</u>	

**EDMORE PUBLIC SCHOOL DISTRICT**  
**Edmore, 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)	0.106597%	0.111096%	0.109202%	0.104080%	0.111661%	0.113232%	0.109699%
District's proportionate share of the net pension liability (asset)	1,637,022	1,530,077	1,455,512	1,429,568	1,635,896	1,480,911	1,149,451
District's covered-employee payroll	780,443	779,372	742,367	702,511	725,488	696,496	636,310
District's 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	99,507	99,370	94,652	89,570	92,500	88,799	68,403
Contributions in relation to statutorily required contribution	(99,507)	(99,370)	(94,652)	(89,570)	(92,500)	(88,799)	(68,403)
Contribution deficiency (excess)	-	-	-	-	-	-	-
Employer's covered-employee payroll	780,443	779,372	742,367	702,511	725,488	696,496	636,310
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 30<sup>th</sup> of the prior year

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2021**

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**NOTE 1 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

The School Board 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 annual budget must be prepared, and District taxes must be levied on or before the 15th day of August of each year.
- The taxes levied must be certified to the county auditor by October 10th.
- 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, except for property taxes, 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**

Amounts reported in 2021 and later reflect the follow 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.

**EDMORE PUBLIC SCHOOL DISTRICT**  
**Edmore, North Dakota**

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEET**  
**June 30, 2021**

	<u>Special Reserve</u>	<u>Food Service</u>	<u>Total Other Governmental Funds</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 142,247	\$ 4,417	\$ 146,664
Taxes Receivable	<u>6</u>	<u>-</u>	<u>6</u>
Total Assets	142,253	4,417	146,670
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	<u>6</u>	<u>-</u>	<u>6</u>
Total Deferred Inflows of Resources	6	-	6
<b>FUND BALANCE</b>			
Restricted	142,247	-	142,247
Assigned	<u>-</u>	<u>4,417</u>	<u>4,417</u>
Fund Balance	<u>142,247</u>	<u>4,417</u>	<u>146,664</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 142,253</u>	<u>\$ 4,417</u>	<u>\$ 146,670</u>



**EDMORE PUBLIC SCHOOL DISTRICT**  
**Edmore, North Dakota**

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE**  
**June 30, 2021**

	<u>Special Reserve</u>	<u>Food Service</u>	<u>Total Other Governmental Funds</u>
<b>REVENUES</b>			
Local Sources	\$ 144	\$ 3,152	\$ 3,296
State Sources	-	180	180
Federal Sources	-	34,550	34,550
Interest Income	72	17	89
	<u>216</u>	<u>37,899</u>	<u>38,115</u>
<b>EXPENDITURES</b>			
Current			
School Food Services	-	44,049	44,049
	<u>-</u>	<u>44,049</u>	<u>44,049</u>
Excess (Deficiency) of Revenues over Expenditures	216	(6,150)	(5,934)
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfer Out	-	(24,297)	(24,297)
	<u>-</u>	<u>(24,297)</u>	<u>(24,297)</u>
<b>NET CHANGE IN FUND BALANCE</b>	216	(30,447)	(30,231)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>142,031</u>	<u>34,864</u>	<u>176,895</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 142,247</u>	<u>\$ 4,417</u>	<u>\$ 146,664</u>



**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***

School Board  
Edmore Public School District  
Edmore, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to finance 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 Edmore Public School District, as of and for the year ended June 30, 2021, and the related notes to financial statements, which collectively comprise the Edmore Public School District's basic financial statements, and have issued our report thereon dated July 19, 2022.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Edmore Public School District'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 Edmore Public School 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 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses (2021-001 and 2021-002).

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Edmore Public School 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 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*.

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

Edmore Public School District's response to the findings identified in our audit is described in the accompanying schedule of current year findings. Edmore Public School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***Purpose of this Report***

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



Nadine Julson, LLC  
Wahpeton, North Dakota  
July 19, 2022

**EDMORE PUBLIC SCHOOL DISTRICT**  
**Edmore, North Dakota**

**SCHEDULE OF CURRENT YEAR FINDINGS**  
**Year ended June 30, 2021**

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*2021-001 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 District.

**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 District. 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 District. The District will segregate functions where feasible.

**EDMORE PUBLIC SCHOOL DISTRICT**  
**Schedule of Current Year Findings – Continued**

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*2021-002 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 District 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 District results in more than a remote likelihood that the District 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 District 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 District 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 District will continue to have the auditor prepare the financial statements. It is currently not cost-effective for management to perform the preparation.