

ELLENDALE PUBLIC SCHOOL DISTRICT
Ellendale, North Dakota

AUDITED FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

ELLENDALE PUBLIC SCHOOL DISTRICT
Ellendale, North Dakota

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ELLENDALE PUBLIC SCHOOL DISTRICT
Ellendale, North Dakota

OFFICIAL DIRECTORY
June 30, 2023

Michele Thorpe	President
Kent Schimke	Vice-President
Kristi Gilbert	Board Member
Valerie Wagner	Board Member
Cresta Miller	Board Member
Chip Sundberg	Superintendent
Lana Norton	Business Manager



INDEPENDENT AUDITOR'S REPORT

School Board
Ellendale Public School District
Ellendale, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ellendale Public School District (the "District"), as of and for the years ended June 30, 2023 and 2022, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

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* (GAS), 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 District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Emphasis of Matter – Change in Accounting and Correction

As discussed in Note 15, the District has changed from accounting principles generally accepted in the United States of America to the modified cash basis of accounting for ease of reporting, adopted GASB Statement No. 84, *Fiduciary Activities*, and corrected errors in capital assets. Accordingly, a restatement has been made to the governmental activities and governmental funds as of July 1, 2021, to restate beginning net position and fund balance. Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting as described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison schedule, 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 budgetary comparison schedule, 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 budgetary comparison schedule, 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.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the official directory but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Nadine Julson, LLC
Wahpeton, North Dakota
January 31, 2025

ELLENDALE PUBLIC SCHOOL DISTRICT
Ellendale, North Dakota

STATEMENTS OF NET POSITION – MODIFIED CASH BASIS
June 30, 2023 and 2022

	2023	2022
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 3,225,742	\$ 2,739,152
Restricted Cash	275,894	285,375
Investments	2,942,120	2,677,147
Total Current Assets	6,443,756	5,701,674
Capital Assets		
Non-depreciable		
Construction in Progress	24,000	-
Depreciable, net of accumulated depreciation		
Buildings and Improvements	7,213,735	7,297,650
Vehicles	300,592	349,962
Equipment	92,446	119,438
Total Capital Assets	7,630,773	7,767,050
Total Assets	14,074,529	13,468,724
LIABILITIES		
Current Liabilities		
Current Portion of Long-term Debt		
Notes Payable	65,413	63,786
Total Current Liabilities	65,413	63,786
Due After One Year		
General Obligation Bonds Payable	4,050,000	4,050,000
Notes Payable	507,057	572,470
Total Long-term Liabilities	4,557,057	4,622,470
Total Liabilities	4,622,470	4,686,256
NET POSITION		
Net Investment in Capital Assets	3,008,303	3,080,794
Restricted	4,359,408	3,976,544
Unrestricted	2,084,348	1,725,130
Total Net Position	\$ 9,452,059	\$ 8,782,468

See Notes to Financial Statements

ELLENDALE PUBLIC SCHOOL DISTRICT
Ellendale, North Dakota

STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Regular Instruction	\$ 2,657,413	\$ 95,322	\$ 447,189	\$ (2,114,902)
Special Instruction	288,651	-	-	(288,651)
Pupil Services	39,173	-	-	(39,173)
General Administration Services	272,453	-	-	(272,453)
School Administration Services	150,311	-	-	(150,311)
Operation and Maintenance	586,798	-	-	(586,798)
Pupil Transportation	451,417	-	115,582	(335,835)
Student Activities	382,191	198,299	10,173	(173,719)
School Food Services	290,722	177,723	93,999	(19,000)
Interest and Other Charges	232,901	-	-	(232,901)
	<u>\$ 5,352,030</u>	<u>\$ 471,344</u>	<u>\$ 666,943</u>	<u>(4,213,743)</u>
General Revenues				
Taxes				
Taxes Levied for General Purposes				1,563,553
Taxes Levied for Debt Purposes				352,065
Taxes Levied for Building Purposes				63,562
State Aid, not restricted for specific purpose				2,683,121
Interest and Investment Earnings				208,342
Miscellaneous				12,691
Total General Revenues				<u>4,883,334</u>
Change in Net Position				669,591
Net Position, Beginning of Year				<u>8,782,468</u>
Net Position, End of Year				<u>\$ 9,452,059</u>

See Notes to Financial Statements

ELLENDALE PUBLIC SCHOOL DISTRICT
Ellendale, North Dakota

STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Regular Instruction	\$ 2,597,875	\$ 82,949	\$ 278,404	\$ (2,236,522)
Special Instruction	255,690	-	-	(255,690)
Pupil Services	362,512	-	-	(362,512)
General Administration Services	256,130	-	-	(256,130)
School Administration Services	175,660	-	-	(175,660)
Operation and Maintenance	541,960	-	-	(541,960)
Pupil Transportation	302,395	-	115,988	(186,407)
Student Activities	367,694	151,462	6,268	(209,964)
School Food Services	306,046	115,340	193,426	2,720
Interest and Other Charges	234,487	-	-	(234,487)
	<u>\$ 5,400,449</u>	<u>\$ 349,751</u>	<u>\$ 594,086</u>	(4,456,612)
General Revenues				
Taxes				
Taxes Levied for General Purposes				1,458,373
Taxes Levied for Debt Purposes				337,382
Taxes Levied for Building Purposes				59,256
State Aid, not restricted for specific purpose				2,440,740
Interest and Investment Earnings				66,625
Miscellaneous				7,852
Total General Revenues				<u>4,370,228</u>
Change in Net Position				(86,384)
Net Position, Beginning of Year				<u>8,868,852</u>
Net Position, End of Year				<u>\$ 8,782,468</u>

See Notes to Financial Statements

ELLENDALE PUBLIC SCHOOL DISTRICT
Ellendale, North Dakota

BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
June 30, 2023

	Major Fund			Other Governmental Funds	Total Governmental Funds
	General Fund	Debt Service	Capital Projects		
ASSETS					
Cash and Cash Equivalents	\$ 2,205,011	\$ 233,622	\$ 648,283	\$ 138,826	\$ 3,225,742
Restricted Cash	-	275,894	-	-	275,894
Investments	-	2,942,120	-	-	2,942,120
Total Assets	2,205,011	3,451,636	648,283	138,826	6,443,756
FUND BALANCE					
Restricted	164,068	3,451,636	648,283	95,421	4,359,408
Assigned	-	-	-	43,405	43,405
Unassigned	2,040,943	-	-	-	2,040,943
Total Fund Balance	\$ 2,205,011	\$ 3,451,636	\$ 648,283	\$ 138,826	\$ 6,443,756

See Notes to Financial Statements

ELLENDALE PUBLIC SCHOOL DISTRICT
Ellendale, North Dakota

BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
June 30, 2022

	Major Fund			Other	Total
	General Fund	Debt Service	Capital Projects	Governmental Funds	Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 1,838,601	\$ 165,653	\$ 583,046	\$ 151,852	\$ 2,739,152
Restricted Cash	-	285,375	-	-	285,375
Investments	-	2,677,147	-	-	2,677,147
Total Assets	1,838,601	3,128,175	583,046	151,852	5,701,674
FUND BALANCE					
Restricted	169,989	3,128,175	583,046	95,334	3,976,544
Assigned	-	-	-	56,518	56,518
Unassigned	1,668,612	-	-	-	1,668,612
Total Fund Balance	\$ 1,838,601	\$ 3,128,175	\$ 583,046	\$ 151,852	\$ 5,701,674

See Notes to Financial Statements

ELLENDALE PUBLIC SCHOOL DISTRICT
Ellendale, North Dakota

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION – MODIFIED CASH BASIS
June 30, 2023

Total Fund Balance - Governmental Funds		\$	6,443,756
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	11,385,101		
Less Accumulated Depreciation	(3,754,328)		
Net Capital Assets			7,630,773
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.			
General Obligation Bonds Payable	(4,050,000)		
Notes Payable	(572,470)		
Total Long-term Liabilities			(4,622,470)
Total Net Position of Governmental Activities		\$	9,452,059

See Notes to Financial Statements

ELLENDALE PUBLIC SCHOOL DISTRICT
Ellendale, North Dakota

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION – MODIFIED CASH BASIS
June 30, 2022

Total Fund Balance - Governmental Funds		\$	5,701,674
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	11,228,201		
Less Accumulated Depreciation	(3,461,151)		
Net Capital Assets			7,767,050
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.			
General Obligation Bonds Payable	(4,050,000)		
Notes Payable	(636,256)		
Total Long-term Liabilities			(4,686,256)
Total Net Position of Governmental Activities		\$	8,782,468

See Notes to Financial Statements

ELLENDALE PUBLIC SCHOOL DISTRICT
Ellendale, North Dakota

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**
Year Ended June 30, 2023

	Major Fund			Other	Total
	General Fund	Debt Service	Capital Projects	Governmental Funds	Governmental Funds
REVENUES					
Local Sources	\$ 1,947,373	\$ 352,065	\$ 63,562	\$ 95,951	\$ 2,458,951
State Sources	2,798,703	-	-	740	2,799,443
Federal Sources	448,589	-	-	91,859	540,448
Interest Income	18,347	188,072	1,675	248	208,342
Miscellaneous Income	12,691	-	-	1,746	14,437
Total Revenues	5,225,703	540,137	65,237	190,544	6,021,621
EXPENDITURES					
Current					
Regular Instruction	2,741,571	-	-	-	2,741,571
Special Instruction	288,651	-	-	-	288,651
Pupil Services	39,173	-	-	-	39,173
General Administration Services	272,453	-	-	-	272,453
School Administration Services	150,311	-	-	-	150,311
Operation and Maintenance	419,554	-	-	-	419,554
Pupil Transportation	369,147	-	-	-	369,147
Student Activities	411,270	-	-	-	411,270
School Food Services	87,152	-	-	203,570	290,722
Debt Service					
Principal	63,786	-	-	-	63,786
Interest and Other Charges	16,225	216,676	-	-	232,901
Total Expenditures	4,859,293	216,676	-	203,570	5,279,539
Excess (Deficiency) of Revenues over Expenditures	366,410	323,461	65,237	(13,026)	742,082
FUND BALANCE, BEGINNING OF YEAR	1,838,601	3,128,175	583,046	151,852	5,701,674
FUND BALANCE, END OF YEAR	\$ 2,205,011	\$ 3,451,636	\$ 648,283	\$ 138,826	\$ 6,443,756

See Notes to Financial Statements

ELLENDALE PUBLIC SCHOOL DISTRICT
Ellendale, North Dakota

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**
Year Ended June 30, 2022

	Major Fund			Other	Total
	General Fund	Debt Service	Capital Projects	Governmental Funds	Governmental Funds
REVENUES					
Local Sources	\$ 1,793,796	\$ 337,382	\$ 59,256	\$ 20,358	\$ 2,210,792
State Sources	2,556,728	-	-	463	2,557,191
Federal Sources	278,404	-	-	192,963	471,367
Interest Income	16,343	49,466	759	57	66,625
Miscellaneous Income	7,852	-	-	238	8,090
Total Revenues	4,653,123	386,848	60,015	214,079	5,314,065
EXPENDITURES					
Current					
Regular Instruction	2,589,063	-	-	-	2,589,063
Special Instruction	255,690	-	-	-	255,690
Pupil Services	362,512	-	-	-	362,512
General Administration Services	256,130	-	-	-	256,130
School Administration Services	175,660	-	-	-	175,660
Operation and Maintenance	354,901	-	-	-	354,901
Pupil Transportation	223,415	-	-	-	223,415
Student Activities	363,873	-	-	-	363,873
School Food Services	90,889	-	-	215,157	306,046
Debt Service					
Principal	62,200	-	-	-	62,200
Interest and Other Charges	17,811	216,676	-	-	234,487
Total Expenditures	4,752,144	216,676	-	215,157	5,183,977
Excess (Deficiency) of Revenues over Expenditures	(99,021)	170,172	60,015	(1,078)	130,088
FUND BALANCE, BEGINNING OF YEAR	1,937,622	2,958,003	523,031	152,930	5,571,586
FUND BALANCE, END OF YEAR	\$ 1,838,601	\$ 3,128,175	\$ 583,046	\$ 151,852	\$ 5,701,674

See Notes to Financial Statements

ELLENDALE PUBLIC SCHOOL DISTRICT
Ellendale, North Dakota

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**
Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds	\$ 742,082
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.	(136,277)
Repayment of debt principal and other long-term liabilities is an expenditure in the governmental fund financial statements, but repayment reduces long-term liabilities in the statement of net position.	<u>63,786</u>
Change in Net Position of Governmental Activities	<u>\$ 669,591</u>

ELLENDALE PUBLIC SCHOOL DISTRICT
Ellendale, North Dakota

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**
Year Ended June 30, 2022

Net Change in Fund Balances - Total Governmental Funds	\$	130,088
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.		
		(278,672)
Repayment of debt principal and other long-term liabilities is an expenditure in the governmental fund financial statements, but repayment reduces long-term liabilities in the statement of net position.		
		<u>62,200</u>
Change in Net Position of Governmental Activities	\$	<u>(86,384)</u>

NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Ellendale Public School District, Ellendale, North Dakota (the “District”) are presented on a modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). 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 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 District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the District.

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

B. Basis of Presentation

Government-wide statements – The statement of net position and the statement of activities display information about the primary government, the Ellendale Public School District. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, 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 for governmental 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:

- 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.
- Capital Projects Fund – Used to account for financial resources related to capital outlays made by the District.
- Debt Service Fund – Used to account for the accumulation of resources for, and payment of, general obligation bond principal, interest, and related costs.

ELLENDALE PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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

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

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

Governmental funds are reported using the modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund balance, revenues, expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements and fair market valuation of investments. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

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.

Restricted investments consist of U.S. government-backed securities stated at fair market value.

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.

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

Assets	Years
Buildings/Improvements	20 - 50
Equipment	10
Busses/Vehicles	10

F. Vacation Pay and Sick Pay

At the beginning of each school year, each teacher shall be given 2 days of personal leave not deducted from sick leave. The personal leave shall accumulate to 4 days. At the conclusion of each school year any personal leave in excess of 2 days will be paid back to the teacher at a rate of \$100 per day. At the beginning of each school year, each teacher shall be credited with a 10 days of sick leave allowing accumulation to 100 days. The unused portion of such allowance shall allow a carry-over of 90 days.

ELLENDALE PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

Hourly staff shall be eligible for 2 days of paid personal leave annually that are non-cumulative, 5 days of vacation that increases up to 10 days of vacation on the 5th of employment that shall not be carried over, and 1 day per month of sick leave that accumulates but is not paid upon separation of employment.

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. Fund Balance and Net Position

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:

- 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. They include items such as, but not limited to, inventories, prepaid items, or the permanent principal of 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.
- 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 School Board. Formal action is required to be taken to establish, modify, or rescind a fund balance commitment.
- 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.
- 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.

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.

I. 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.

J. 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 did not exceed budgeted amounts for the years ended June 30, 2023 and 2022.

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. For the years ended June 30, 2023 and 2022, the District's carrying amounts of deposits were \$3,501,636 and \$3,024,527. The bank balances were \$4,211,771 and \$3,554,480. Of the bank balances, \$750,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the District's name.

Credit Risk:

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

- 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.
- 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.
- Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation.
- Obligations of the state.

At June 30, 2023 and 2022, the District held \$47,000 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.

ELLENDALE PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Assets are grouped at fair value in three levels, based on the markets in which they are traded, and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1: Valuation is based upon quoted prices in active markets for identical assets that reporting entity has the ability access at measurement date.
- Level 2: Valuation is based upon quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3: Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset. Valuation techniques include use of option pricing models, discounted cash flow models, and other similar techniques.

The following table below presents the balances of assets at fair value on June 30, 2023 and 2022:

Asset	Level 1	Level 2	Level 3	Total
Government Bonds				
2023	\$ -	\$ 2,942,120	\$ -	\$ 2,942,120
2022	\$ -	\$ 2,677,147	\$ -	\$ 2,677,147

NOTE 5 – PROPERTY TAXES

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

NOTE 6 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended June 30, 2023 and 2022:

	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023
Governmental Activities				
Capital Assets, not being depreciated				
Construction in Progress	\$ -	\$ 24,000	\$ -	\$ 24,000
Total Capital Assets, not being depreciated	-	24,000	-	24,000
Capital Assets, being depreciated				
Buildings and Improvements	9,844,473	100,000	-	9,944,473
Vehicles	789,796	32,900	-	822,696
Equipment	593,932	-	-	593,932
Total Capital Assets, being depreciated	11,228,201	132,900	-	11,361,101
Less Accumulated Depreciation for				
Buildings and Improvements	2,546,823	183,915	-	2,730,738
Vehicles	439,834	82,270	-	522,104
Equipment	474,494	26,992	-	501,486
Total Accumulated Depreciation	3,461,151	293,177	-	3,754,328
Total Capital Assets Being Depreciated, net	7,767,050	(160,277)	-	7,606,773
Governmental Activities Capital Assets, net	\$ 7,767,050	\$ (136,277)	\$ -	\$ 7,630,773

ELLENDALE PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022
Governmental Activities				
Capital Assets, being depreciated				
Buildings and Improvements	\$ 9,814,955	\$ 29,518	\$ -	\$ 9,844,473
Vehicles	789,796	-	-	789,796
Equipment	586,334	7,598	-	593,932
Total Capital Assets, being depreciated	11,191,085	37,116	-	11,228,201
Less Accumulated Depreciation for				
Buildings and Improvements	2,369,575	177,248	-	2,546,823
Vehicles	360,854	78,980	-	439,834
Equipment	414,934	59,560	-	474,494
Total Accumulated Depreciation	3,145,363	315,788	-	3,461,151
Total Capital Assets Being Depreciated, net	8,045,722	(278,672)	-	7,767,050
Governmental Activities Capital Assets, net	<u>\$ 8,045,722</u>	<u>\$ (278,672)</u>	<u>\$ -</u>	<u>\$ 7,767,050</u>

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

	2023	2022
Governmental Activities		
Regular Instruction	\$ 15,842	\$ 45,928
Operation and Maintenance	191,244	187,059
Pupil Transportation	82,270	78,980
Student Activities	3,821	3,821
Total Depreciation Expense - Governmental Activities	<u>\$ 293,177</u>	<u>\$ 315,788</u>

NOTE 7 – LONG-TERM LIABILITIES

During the years ended June 30, 2023 and 2022, the following changes occurred in long-term liabilities:

	Long-term Liabilities at July 1, 2022	Increases	Decreases	Long-term Liabilities at June 30, 2023	Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	\$ 4,050,000	\$ -	\$ -	\$ 4,050,000	\$ -
Notes Payable	636,256	-	(63,786)	572,470	65,413
Total - Governmental Activities	<u>\$ 4,686,256</u>	<u>\$ -</u>	<u>\$ (63,786)</u>	<u>\$ 4,622,470</u>	<u>\$ 65,413</u>

	Long-term Liabilities at July 1, 2021	Increases	Decreases	Long-term Liabilities at June 30, 2022	Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	\$ 4,050,000	\$ -	\$ -	\$ 4,050,000	\$ -
Notes Payable	698,456	-	(62,200)	636,256	63,786
Total - Governmental Activities	<u>\$ 4,748,456</u>	<u>\$ -</u>	<u>\$ (62,200)</u>	<u>\$ 4,686,256</u>	<u>\$ 63,786</u>

ELLENDALE PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

Outstanding debt at June 30, 2023 and 2022, are comprised of the following individual issuances:

- General Obligation School Building Bonds, Series 2010
 - From an original issuance of \$4,050,000 at 5.35%. At June 30, 2023 and 2022, \$4,050,000 and \$4,050,000 remained outstanding. The debt requires annual sinking fund installments of \$150,000 - \$340,000 with the full amount due July 1, 2025.
- Note Payable
 - From an original issuance of \$987,013 at 2.55%. At June 30, 2023 and 2022, \$572,470 and \$636,256 remained outstanding. The debt requires annual principal and interest payments of \$80,011 through June 1, 2031.

The debt service requirement are as follows:

Year Ending June 30,	Long-term Debt		
	Principal	Interest	Payment
2024	\$ 65,413	\$ 231,273	\$ 296,686
2025	67,081	229,604	296,685
2026	4,118,792	227,894	4,346,686
2027	70,546	9,465	80,011
2028	72,345	7,666	80,011
2029 - 2031	228,293	11,740	240,033
Totals	\$ 4,622,470	\$ 717,642	\$ 5,340,112

NOTE 8 – 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 \$2,000,000 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 \$1,832,928 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

NOTE 9 – 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.

ELLENDALE PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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, 2023 and 2022, if the District were to report on the full accrual basis, a liability of \$3,265,908 and \$2,503,159 for its proportionate share of the net pension liability would have been reported. The net pension liability was measured as of June 30, 2022 and 2021 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 Districts share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employees. At June 30, 2023 and 2022 the District’s proportion was .224299% and .237569%. The District’s pension contributions for the years ended June 30, 2023 and 2022 was \$206,683 and \$225,042.

Actuarial Assumptions

The total pension liability in the July 1, 2022 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, 2022, funding actuarial valuation for TFFR.

ELLENDALE PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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

The long-term expected rate of return on TFFR investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the TFFR target asset allocation as of June 30, 2022, is summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equities	55%	6.61%
Global Fixed Income	26%	0.35%
Global Real Assets	18%	4.60%
Cash Equivalents	1%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2022. 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, 2022, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund the 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, 2022. 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, 2022.

Pension Plan Fiduciary Net Position

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

North Dakota Public Employees Retirement System (Main System)

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

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

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

ELLENDALE PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

Pension Benefits

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

ELLENDALE PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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

At June 30, 2023 and 2022, if the District were to report on the full accrual basis, a liability of \$1,159,169 and \$365,889 for its proportionate share of the net pension liability would have been reported. The net pension liability was measured as of June 30, 2022 and 2021 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 NDPERS employees. At June 30, 2023 and 2022 the District's proportion was .040248% and .035104%. The District's pension contributions for the years ended June 30, 2023 and 2022 was \$37,047 and \$33,846.

Actuarial Assumptions

The total pension liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.50% to 17.75% including inflation
Investment rate of return	5.10%, net of investment expenses
Cost-of-living-adjustments	None

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

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

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

Discount Rate

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

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

ELLENDALE PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.69%; and the resulting Single Discount Rate is 5.10%.

Pension Plan Fiduciary Net Position

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

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

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

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

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

ELLENDALE PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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

At June 30, 2023 and 2022, if the District were to report on the full accrual basis, a liability of \$36,383 and \$16,904 for its proportionate share of the net OPEB liability would have been reported. The net OPEB liability was measured as of June 30, 2022 and 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial calculation as of that date. The District's proportion of the net OPEB liability was based on the District's share of covered payroll in the OPEB plan relative to the covered payroll of all participating NDPERS employees. At June 30, 2023 and 2022 the District's proportion was .030311% and .030393%. The District's OPEB contributions for the years ended June 30, 2023 and 2022 was \$3,420 and \$3,615.

Actuarial Assumptions

The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	5.75%, net of investment expenses
Cost-of-living-adjustments	None

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap Domestic Equities	33%	5.85%
Small Cap Domestic Equities	6%	6.75%
Domestic Fixed Income	35%	0.50%
International Equities	26%	6.25%

NOTE 11 – JOINT VENTURE

The District participates in the following joint ventures:

James River Special Education Unit

Formed for the purpose of providing special education services to the member school districts. The Unit's governing board is composed of representatives from the member school districts, who are superintendents. The Board is responsible for adopting the Unit's 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 Unit, but does have a responsibility to fund deficits of the Unit in proportion to the relative participation described above. Separate financial statements for this joint venture are available from the James River Special Education Unit.

ELLENDALE PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

Southeast Region Career and Technology Center

Formed for the purpose of providing vocational services to the member school districts. The Center's governing board is composed of representatives from the member school districts, who are school board members. The Board is responsible for adopting the Center's 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 Center, but does have a responsibility to fund deficits of the Center in proportion to the relative participation. Separate financial statements for this joint venture are available from Southeast Region Career and Technology Center.

NOTE 12 – 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 years ended June 30, 2023 and 2022 was \$14,174 and \$13,731.

NOTE 13 – 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 14 – FUND BALANCE

The following is a summary of fund balance as of June 30, 2023 and 2022:

	2023	2022
Restricted		
Special Reserve	\$ 95,421	\$ 95,334
Capital Projects	648,283	583,046
Debt Service	3,451,636	3,128,175
Student Activities	164,068	169,989
Total Restricted	4,359,408	3,976,544
Assigned		
Food Service	43,405	56,518
Total Assigned	43,405	56,518
Unassigned	2,040,943	1,668,612
Total Fund Balance	\$ 6,443,756	\$ 5,701,674

ELLENDALE PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

NOTE 15 – CHANGE IN ACCOUNTING

In 2021, management adopted a policy of preparing its financial statements on the modified cash basis of accounting. Prior to this, the District's financial statements were prepared in accordance with accounting principles generally accepted in the United States of America. Management believes that this change results in more relevant financial reporting for the District and for the needs of the users of the financial statements. Management also implemented GASB Statement No. 84, *Fiduciary Activities* and corrected errors in capital assets. As a results, beginning net position and fund balance has been restated as follows:

Net Position July 1, 2021 as previously reported	\$ 4,842,818
Restatement for:	
Receivables	(177,296)
Payables	24,663
Agency Funds	207,453
Pension and OPEB	3,645,910
Capital Assets	325,304
Net position July 1, 2021 as restated	<u>\$ 8,868,852</u>
Fund Balance July 1, 2021 as previously reported	\$ 1,368,156
Restatement for:	
Receivables	(61,342)
Payables	4,057,319
Agency Funds	207,453
General Fund Balance July 1, 2021 as restated	<u>\$ 5,571,586</u>

NOTE 16 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through January 31, 2025, the date on which the financial statements were available to be issued. The District anticipates approximately \$300,000 of construction projects and \$150,000 of equipment purchases that occurred subsequent to year end.

ELLENDALE PUBLIC SCHOOL DISTRICT
Ellendale, North Dakota

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – MODIFIED CASH BASIS
Year Ended June 30, 2023

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Local Sources	\$ 1,904,874	\$ 1,947,373	\$ 42,499
State Sources	2,618,236	2,798,703	180,467
Federal Sources	583,854	448,589	(135,265)
Interest Income	5,211	18,347	13,136
Miscellaneous Income	53,000	12,691	(40,309)
Total Revenues	5,165,175	5,225,703	60,528
EXPENDITURES			
Current			
Regular Instruction	2,727,645	2,741,571	(13,926)
Special Instruction	293,118	288,651	4,467
Pupil Services	189,828	39,173	150,655
General Administration Services	291,209	272,453	18,756
School Administration Services	178,728	150,311	28,417
Operation and Maintenance	650,199	419,554	230,645
Pupil Transportation	295,936	369,147	(73,211)
Student Activities	424,860	411,270	13,590
School Food Services	98,070	87,152	10,918
Debt Service			
Principal	64,775	63,786	989
Interest and Other Charges	16,225	16,225	-
Facilities Acquisition and Construction	10,000	-	10,000
Total Expenditures	5,240,593	4,859,293	381,300
Excess (Deficiency) of Revenues over Expenditures	(75,418)	366,410	441,828
FUND BALANCE, BEGINNING OF YEAR		1,838,601	
FUND BALANCE, END OF YEAR		\$ 2,205,011	

ELLENDALE PUBLIC SCHOOL DISTRICT
Ellendale, North Dakota

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – MODIFIED CASH BASIS
Year Ended June 30, 2022

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Local Sources	\$ 1,840,357	\$ 1,793,796	\$ (46,561)
State Sources	2,564,729	2,556,728	(8,001)
Federal Sources	593,011	278,404	(314,607)
Interest Income	2,368	16,343	13,975
Miscellaneous Income	53,000	7,852	(45,148)
Total Revenues	5,053,465	4,653,123	(400,342)
EXPENDITURES			
Current			
Regular Instruction	2,595,200	2,589,063	6,137
Special Instruction	262,167	255,690	6,477
Pupil Services	326,457	362,512	(36,055)
General Administration Services	257,174	256,130	1,044
School Administration Services	185,553	175,660	9,893
Operation and Maintenance	414,512	354,901	59,611
Pupil Transportation	252,273	223,415	28,858
Student Activities	371,806	363,873	7,933
School Food Services	87,921	90,889	(2,968)
Debt Service			
Principal	63,189	62,200	989
Interest and Other Charges	17,811	17,811	-
Facilities Acquisition and Construction	10,000	-	10,000
Total Expenditures	4,844,063	4,752,144	91,919
Excess (Deficiency) of Revenues over Expenditures	209,402	(99,021)	(308,423)
FUND BALANCE, BEGINNING OF YEAR		1,937,622	
FUND BALANCE, END OF YEAR		\$ 1,838,601	

ELLENDALE PUBLIC SCHOOL DISTRICT
Ellendale, North Dakota

NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEET – MODIFIED CASH BASIS
June 30, 2023

	Special Reserve	Food Service	Total Other Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 95,421	\$ 43,405	\$ 138,826
Total Assets	95,421	43,405	138,826
FUND BALANCE			
Restricted	95,421	-	95,421
Assigned	-	43,405	43,405
Total Fund Balance	\$ 95,421	\$ 43,405	\$ 138,826

ELLENDALE PUBLIC SCHOOL DISTRICT
Ellendale, North Dakota

NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEET – MODIFIED CASH BASIS
June 30, 2022

	Special Reserve	Food Service	Total Other Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 95,334	\$ 56,518	\$ 151,852
Total Assets	95,334	56,518	151,852
FUND BALANCE			
Restricted	95,334	-	95,334
Assigned	-	56,518	56,518
Total Fund Balance	\$ 95,334	\$ 56,518	\$ 151,852

ELLENDALE PUBLIC SCHOOL DISTRICT
Ellendale, North Dakota

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – MODIFIED CASH BASIS**
Year Ended June 30, 2023

	Special Reserve	Food Service	Total Other Governmental Funds
REVENUES			
Local Sources	\$ -	\$ 95,951	\$ 95,951
State Sources	-	740	740
Federal Sources	-	91,859	91,859
Interest Income	87	161	248
Miscellaneous Income	-	1,746	1,746
Total Revenues	87	190,457	190,544
EXPENDITURES			
Current			
School Food Services	-	203,570	203,570
Total Expenditures	-	203,570	203,570
Excess (Deficiency) of Revenues over Expenditures	87	(13,113)	(13,026)
FUND BALANCE, BEGINNING OF YEAR	95,334	56,518	151,852
FUND BALANCE, END OF YEAR	\$ 95,421	\$ 43,405	\$ 138,826

ELLENDALE PUBLIC SCHOOL DISTRICT
Ellendale, North Dakota

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – MODIFIED CASH BASIS**
Year Ended June 30, 2022

	Special Reserve	Food Service	Total Other Governmental Funds
REVENUES			
Local Sources	\$ -	\$ 20,358	\$ 20,358
State Sources	-	463	463
Federal Sources	-	192,963	192,963
Interest Income	43	14	57
Miscellaneous Income	-	238	238
Total Revenues	43	214,036	214,079
EXPENDITURES			
Current			
School Food Services	-	215,157	215,157
Total Expenditures	-	215,157	215,157
Excess (Deficiency) of Revenues over Expenditures	43	(1,121)	(1,078)
FUND BALANCE, BEGINNING OF YEAR	95,291	57,639	152,930
FUND BALANCE, END OF YEAR	\$ 95,334	\$ 56,518	\$ 151,852



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
Ellendale Public School District
Ellendale, 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 Ellendale Public School District (the "District"), as of and for the years ended June 30, 2023 and 2022, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 31, 2025.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 current year findings that we consider to be material weaknesses (2023-001 and 2023-002).

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of current year findings. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
January 31, 2025

ELLENDALE PUBLIC SCHOOL DISTRICT
Ellendale, North Dakota

SCHEDULE OF CURRENT YEAR FINDINGS
Years ended June 30, 2023 and 2022

2023-001 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.

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.

2023-002 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.

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.

ELLENDALE PUBLIC SCHOOL DISTRICT
Schedule of Current Year Findings – Continued

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.

ELLENDALE PUBLIC SCHOOL DISTRICT
Ellendale, North Dakota

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Years ended June 30, 2023 and 2022

Prior Financial Statement Findings

2021-001

A material weakness was reported for inadequate segregation of duties.

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. This material weakness continues to exist under the current audit findings as finding number 2023-001.

2021-002

A material weakness was reported for financial statement preparation.

Recommendation

The accounting functions should be reviewed to determine if it is feasible for the District to prepare its own financial statements. This material weakness continues to exist under the current audit finding 2023-002.