

**HANKINSON PUBLIC SCHOOL DISTRICT**  
**Hankinson, North Dakota**

**AUDITED FINANCIAL STATEMENTS**  
**Years Ended June 30, 2023 and 2022**

**HANKINSON PUBLIC SCHOOL DISTRICT**  
**Hankinson, North Dakota**

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**June 30, 2023 and 2022**

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**HANKINSON PUBLIC SCHOOL DISTRICT**  
**Hankinson, North Dakota**

**OFFICIAL DIRECTORY**  
**June 30, 2023**

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Dave Muehler	President
Matt Asp	Vice-President
Angie Evans	Board Member
Nick Foertsch	Board Member
Aaron Medenwaldt	Board Member
Chad Benson	Superintendent
DeeAnn Bilben	Business Manager



## INDEPENDENT AUDITOR'S REPORT

School Board  
Hankinson Public School District  
Hankinson, 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 Hankinson 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.

## **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, nonmajor governmental funds – schedule of revenues, expenditures, and changes in fund balance, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the nonmajor governmental funds – combining balance, nonmajor governmental funds – combining schedule of revenues, expenditures, and changes in fund balance, and schedule of expenditures of federal awards is 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 October 16, 2024 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  
October 16, 2024

**HANKINSON PUBLIC SCHOOL DISTRICT**  
**Hankinson, North Dakota**

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

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$ 3,042,510	\$ 2,896,384
Restricted Cash	<u>-</u>	<u>437,500</u>
Total Current Assets	3,042,510	3,333,884
Capital Assets		
Non-depreciable		
Land	4,000	4,000
Construction in Progress	-	2,071,043
Depreciable, net of accumulated depreciation		
Buildings and Improvements	6,021,938	4,000,369
Vehicles	127,493	160,342
Equipment	<u>141,935</u>	<u>106,077</u>
Total Capital Assets	<u>6,295,366</u>	<u>6,341,831</u>
Total Assets	9,337,876	9,675,715
<b>LIABILITIES</b>		
Current Liabilities		
Current Portion of Long-term Debt		
General Obligation Bonds Payable	100,000	95,000
Notes Payable	<u>73,006</u>	<u>71,725</u>
Total Current Liabilities	173,006	166,725
Due After One Year		
General Obligation Bonds Payable	205,000	805,000
Notes Payable	<u>984,803</u>	<u>1,057,809</u>
Total Long-term Liabilities	<u>1,189,803</u>	<u>1,862,809</u>
Total Liabilities	1,362,809	2,029,534
<b>NET POSITION</b>		
Net Investment in Capital Assets	4,932,557	4,312,297
Restricted	1,209,952	1,605,609
Unrestricted	<u>1,832,558</u>	<u>1,728,275</u>
Total Net Position	<u>\$ 7,975,067</u>	<u>\$ 7,646,181</u>

See Notes to Financial Statements



**HANKINSON PUBLIC SCHOOL DISTRICT**  
**Hankinson, 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	\$ 2,332,012	\$ -	\$ 269,580	\$ (2,062,432)
Special Instruction	47,889	-	-	(47,889)
Vocational Instruction	88,456	-	-	(88,456)
Pupil Services	41,253	-	-	(41,253)
General Administration Services	183,280	-	-	(183,280)
School Administration Services	106,258	-	-	(106,258)
Other Support Services	41,026	-	-	(41,026)
Operation and Maintenance	636,745	-	-	(636,745)
Pupil Transportation	159,017	-	80,515	(78,502)
Student Activities	363,816	147,300	-	(216,516)
School Food Services	295,400	58,563	102,369	(134,468)
Interest and Other Charges	27,232	-	-	(27,232)
	<u>\$ 4,322,384</u>	<u>\$ 205,863</u>	<u>\$ 452,464</u>	<u>(3,664,057)</u>
General Revenues				
Taxes				
Taxes Levied for General Purposes				1,146,667
Taxes Levied for Debt Purposes				123,785
Taxes Levied for Building Purposes				263,027
State Aid, not restricted for specific purpose				2,340,411
Interest and Investment Earnings				13,305
Miscellaneous				105,748
Total General Revenues				<u>3,992,943</u>
Change in Net Position				328,886
Net Position, Beginning of Year				<u>7,646,181</u>
Net Position, End of Year				<u>\$ 7,975,067</u>

See Notes to Financial Statements

**HANKINSON PUBLIC SCHOOL DISTRICT**  
**Hankinson, 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	\$ 2,418,281	\$ -	\$ 905,644	\$ (1,512,637)
Special Instruction	78,795	-	-	(78,795)
Vocational Instruction	88,632	-	-	(88,632)
Pupil Services	43,534	-	-	(43,534)
General Administration Services	197,446	-	-	(197,446)
School Administration Services	97,811	-	-	(97,811)
Other Support Services	24,754	-	-	(24,754)
Operation and Maintenance	605,789	-	-	(605,789)
Pupil Transportation	178,755	-	84,712	(94,043)
Student Activities	290,953	185,861	-	(105,092)
School Food Services	307,672	13,050	221,726	(72,896)
Interest and Other Charges	30,561	-	-	(30,561)
	<u>\$ 4,362,983</u>	<u>\$ 198,911</u>	<u>\$ 1,212,082</u>	<u>(2,951,990)</u>
General Revenues				
Taxes				
Taxes Levied for General Purposes				1,103,132
Taxes Levied for Debt Purposes				119,232
Taxes Levied for Building Purposes				253,112
State Aid, not restricted for specific purpose				2,503,277
Interest and Investment Earnings				11,155
Gain on Sale of Assets				20,980
Miscellaneous				96,293
Total General Revenues				<u>4,107,181</u>
Change in Net Position				1,155,191
Net Position, Beginning of Year				<u>6,490,990</u>
Net Position, End of Year				<u>\$ 7,646,181</u>

See Notes to Financial Statements

**HANKINSON PUBLIC SCHOOL DISTRICT**  
**Hankinson, North Dakota**

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

	Major Fund			Other	Total
	General Fund	Debt Service	Capital Projects	Governmental Funds	Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 1,871,521	\$ 306,359	\$ 654,633	\$ 209,997	\$ 3,042,510
Total Assets	1,871,521	306,359	654,633	209,997	3,042,510
FUND BALANCE					
Restricted	88,370	306,359	654,633	160,590	1,209,952
Assigned	-	-	-	49,407	49,407
Unassigned	1,783,151	-	-	-	1,783,151
Total Fund Balance	<u>\$ 1,871,521</u>	<u>\$ 306,359</u>	<u>\$ 654,633</u>	<u>\$ 209,997</u>	<u>\$ 3,042,510</u>

See Notes to Financial Statements

**HANKINSON PUBLIC SCHOOL DISTRICT**  
**Hankinson, North Dakota**

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

	Major Fund			Other Governmental Funds	Total Governmental Funds
	General Fund	Debt Service	Capital Projects		
ASSETS					
Cash and Cash Equivalents	\$ 1,743,187	\$ 283,629	\$ 605,058	\$ 264,510	\$ 2,896,384
Restricted Cash	-	437,500	-	-	437,500
Total Assets	1,743,187	721,129	605,058	264,510	3,333,884
FUND BALANCE					
Restricted	134,356	721,129	605,058	145,066	1,605,609
Assigned	-	-	-	119,444	119,444
Unassigned	1,608,831	-	-	-	1,608,831
Total Fund Balance	<u>\$ 1,743,187</u>	<u>\$ 721,129</u>	<u>\$ 605,058</u>	<u>\$ 264,510</u>	<u>\$ 3,333,884</u>

See Notes to Financial Statements

**HANKINSON PUBLIC SCHOOL DISTRICT**  
**Hankinson, North Dakota**

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

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Total Fund Balance - Governmental Funds		\$	3,042,510
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	10,873,106		
Less Accumulated Depreciation	<u>(4,577,740)</u>		
Net Capital Assets			6,295,366
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	(305,000)		
Notes Payable	<u>(1,057,809)</u>		
Total Long-term Liabilities			<u>(1,362,809)</u>
Total Net Position of Governmental Activities		\$	<u>7,975,067</u>

See Notes to Financial Statements

**HANKINSON PUBLIC SCHOOL DISTRICT**  
**Hankinson, North Dakota**

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

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Total Fund Balance - Governmental Funds		\$	3,333,884
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	10,708,516		
Less Accumulated Depreciation	<u>(4,366,685)</u>		
Net Capital Assets			6,341,831
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	(900,000)		
Notes Payable	<u>(1,129,534)</u>		
Total Long-term Liabilities			<u>(2,029,534)</u>
Total Net Position of Governmental Activities		\$	<u>7,646,181</u>

See Notes to Financial Statements

**HANKINSON PUBLIC SCHOOL DISTRICT**  
**Hankinson, 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
<b>REVENUES</b>					
Local Sources	\$ 1,278,495	\$ 186,285	\$ 272,177	\$ 74,035	\$ 1,810,992
State Sources	2,420,926	-	-	647	2,421,573
Federal Sources	269,580	-	-	101,722	371,302
Interest Income	9,512	995	2,363	435	13,305
Miscellaneous Income	34,098	-	-	-	34,098
Total Revenues	4,012,611	187,280	274,540	176,839	4,651,270
<b>EXPENDITURES</b>					
Current					
Regular Instruction	2,332,012	-	-	-	2,332,012
Special Instruction	47,889	-	-	-	47,889
Vocational Instruction	88,456	-	-	-	88,456
Pupil Services	41,253	-	-	-	41,253
General Administration Services	183,280	-	-	-	183,280
School Administration Services	106,258	-	-	-	106,258
Other Support Services	41,026	-	-	-	41,026
Operation and Maintenance	465,607	-	1,998	-	467,605
Pupil Transportation	126,168	-	-	-	126,168
Student Activities	361,343	-	-	-	361,343
School Food Services	90,985	-	-	231,352	322,337
Debt Service					
Principal	-	595,000	71,725	-	666,725
Interest and Other Charges	-	7,050	20,182	-	27,232
Facilities Acquisition and Construction	-	-	131,060	-	131,060
Total Expenditures	3,884,277	602,050	224,965	231,352	4,942,644
Excess (Deficiency) of Revenues over Expenditures	128,334	(414,770)	49,575	(54,513)	(291,374)
FUND BALANCE, BEGINNING OF YEAR	1,743,187	721,129	605,058	264,510	3,333,884
FUND BALANCE, END OF YEAR	\$ 1,871,521	\$ 306,359	\$ 654,633	\$ 209,997	\$ 3,042,510

See Notes to Financial Statements

**HANKINSON PUBLIC SCHOOL DISTRICT**  
**Hankinson, 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	\$ 1,274,115	\$ 150,482	\$ 269,312	\$ 27,928	\$ 1,721,837
State Sources	2,587,989	-	-	608	2,588,597
Federal Sources	905,644	-	-	221,118	1,126,762
Interest Income	8,058	937	1,726	434	11,155
Miscellaneous Income	48,843	-	-	-	48,843
Total Revenues	4,824,649	151,419	271,038	250,088	5,497,194
EXPENDITURES					
Current					
Regular Instruction	2,418,281	-	-	-	2,418,281
Special Instruction	78,795	-	-	-	78,795
Vocational Instruction	88,632	-	-	-	88,632
Pupil Services	43,534	-	-	-	43,534
General Administration Services	197,446	-	-	-	197,446
School Administration Services	97,811	-	-	-	97,811
Other Support Services	24,754	-	-	-	24,754
Operation and Maintenance	466,470	-	18,564	-	485,034
Pupil Transportation	145,906	-	-	-	145,906
Student Activities	288,481	-	-	-	288,481
School Food Services	95,790	-	-	227,075	322,865
Debt Service					
Principal	-	95,000	70,466	-	165,466
Interest and Other Charges	-	9,120	21,441	-	30,561
Facilities Acquisition and Construction	-	-	1,955,952	-	1,955,952
Total Expenditures	3,945,900	104,120	2,066,423	227,075	6,343,518
Excess (Deficiency) of Revenues over Expenditures	878,749	47,299	(1,795,385)	23,013	(846,324)
OTHER FINANCING SOURCES (USES)					
Proceeds from Long-term Debt	-	-	1,200,000	-	1,200,000
Operating Transfer In	-	-	589,558	-	589,558
Operating Transfer Out	(589,558)	-	-	-	(589,558)
Total Other Financing Sources (Uses)	(589,558)	-	1,789,558	-	1,200,000
NET CHANGE IN FUND BALANCE	289,191	47,299	(5,827)	23,013	353,676
FUND BALANCE, BEGINNING OF YEAR	1,453,996	673,830	610,885	241,497	2,980,208
FUND BALANCE, END OF YEAR	\$ 1,743,187	\$ 721,129	\$ 605,058	\$ 264,510	\$ 3,333,884

See Notes to Financial Statements



**HANKINSON PUBLIC SCHOOL DISTRICT**  
**Hankinson, North Dakota**

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

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Net Change in Fund Balances - Total Governmental Funds	\$ (291,374)
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.	(46,465)
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>666,725</u>
Change in Net Position of Governmental Activities	<u>\$ 328,886</u>

**HANKINSON PUBLIC SCHOOL DISTRICT**  
**Hankinson, North Dakota**

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

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Net Change in Fund Balances - Total Governmental Funds	\$ 353,676
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets with a cost greater than \$5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.	1,870,069
Governmental funds report debt proceeds as current financial resources. The statement of activities treats such issuance of bonds payable as a liability.	(1,200,000)
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.	165,466
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.	(34,020)
Change in Net Position of Governmental Activities	<u>\$ 1,155,191</u>

See Notes to Financial Statements

**HANKINSON PUBLIC SCHOOL DISTRICT**  
**Hankinson, North Dakota**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023 and 2022**

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

The financial statements of the Hankinson Public School District, Hankinson, 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.

**B. Basis of Presentation**

Government-wide statements – The statement of net position and the statement of activities display information about the primary government, the Hankinson 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.

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.

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

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**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. 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.

**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:

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

**F. Vacation Pay and Sick Pay**

Teachers may accumulate a maximum of 110 days of sick days. Teachers who have reached the maximum accumulated sick leave shall have their unused sick days from the current school year paid out at \$25 per day with a maximum of 10 days.

Twelve-month employees shall receive 12 days paid vacation and 1 sick day per month in proportion with the number of hours per day employed. Vacation and sick time are earned at a rate of one day per month. Vacation days may be accumulated up to 5 days and sick days may be accumulated up to 30 days.

Part-time employees shall receive 2 days paid vacation per year and 1 sick day per month in proportion with the number of hours per day employed. Vacation time must be used during the current year and is not accumulative. Sick days may be accumulated to a maximum of 30 days.

## **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.

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

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**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 \$3,042,510 and \$3,333,884. The bank balances were \$1,337,082 and \$1,391,438. Of the bank balances, \$500,000 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.

*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.

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

**NOTE 4 – 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 5 – 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				
Land	\$ 4,000	\$ -	\$ -	\$ 4,000
Construction in Progress	2,071,043	-	(2,071,043)	-
Total Capital Assets, not being depreciated	2,075,043	-	(2,071,043)	4,000
Capital Assets, being depreciated				
Buildings and Improvements	7,845,644	2,176,051	-	10,021,695
Vehicles	579,286	-	-	579,286
Equipment	208,543	59,582	-	268,125
Total Capital Assets, being depreciated	8,633,473	2,235,633	-	10,869,106
Less Accumulated Depreciation for				
Buildings and Improvements	3,845,275	154,482	-	3,999,757
Vehicles	418,944	32,849	-	451,793
Equipment	102,466	23,724	-	126,190
Total Accumulated Depreciation	4,366,685	211,055	-	4,577,740
Total Capital Assets Being Depreciated, net	4,266,788	2,024,578	-	6,291,366
Governmental Activities Capital Assets, net	\$ 6,341,831	\$ 2,024,578	\$ (2,071,043)	\$ 6,295,366

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

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$ -	\$ 4,000	\$ -	\$ 4,000
Construction in Progress	180,888	1,890,155	-	2,071,043
Total Capital Assets, not being depreciated	180,888	1,894,155	-	2,075,043
Capital Assets, being depreciated				
Buildings and Improvements	7,783,847	61,797	-	7,845,644
Vehicles	579,286	-	-	579,286
Equipment	172,910	73,433	(37,800)	208,543
Total Capital Assets, being depreciated	8,536,043	135,230	(37,800)	8,633,473
Less Accumulated Depreciation for				
Buildings and Improvements	3,737,930	107,345	-	3,845,275
Vehicles	386,094	32,850	-	418,944
Equipment	87,125	19,121	(3,780)	102,466
Total Accumulated Depreciation	4,211,149	159,316	(3,780)	4,366,685
Total Capital Assets Being Depreciated, net	4,324,894	(24,086)	(34,020)	4,266,788
Governmental Activities Capital Assets, net	\$ 4,505,782	\$ 1,870,069	\$ (34,020)	\$ 6,341,831

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

	2023	2022
Governmental Activities		
Operation and Maintenance	\$ 169,140	\$ 120,755
Pupil Transportation	32,849	32,849
Student Activities	2,473	2,472
School Food Services	6,593	3,240
Total Depreciation Expense - Governmental Activities	\$ 211,055	\$ 159,316

**NOTE 6 – 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	\$ 900,000	\$ -	\$ (595,000)	\$ 305,000	\$ 100,000
Notes Payable	1,129,534	-	(71,725)	1,057,809	73,006
Total - Governmental Activities	\$ 2,029,534	\$ -	\$ (666,725)	\$ 1,362,809	\$ 173,006



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

	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	\$ 995,000	\$ -	\$ (95,000)	\$ 900,000	\$ 95,000
Notes Payable	-	1,200,000	(70,466)	1,129,534	71,725
Total - Governmental Activities	<u>\$ 995,000</u>	<u>\$ 1,200,000</u>	<u>\$ (165,466)</u>	<u>\$ 2,029,534</u>	<u>\$ 166,725</u>

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

1. Qualified Zone Academy Bond of 2007
  - a. From an original issuance of \$500,000 at an interest rate of 0%. At June 30, 2023 and 2022, \$0 and \$500,000 remained outstanding. The District pays into a savings account \$31,250 each year for eventual payment in full which was completed as of June 30, 2023.
2. General Obligation School Building Refunding Bonds, Series 2013
  - a. From an original issuance of \$955,000 at interest rates of .60% – 2.00%. At June 30, 2023 and 2022, \$305,000 and \$400,000 remained outstanding. The principal and interest are payable through August 1, 2025.
3. Note Payable
  - a. From an original issuance of \$1,200,000 at an interest rate of 1.78%. At June 30, 2023 and 2022, \$1,057,809 and \$1,129,534 remained outstanding. The principal and interest are payable through November 1, 2035.

The debt service requirement are as follows:

Long-term Debt			
Year Ending June 30,	Principal	Interest	Payment
2024	\$ 173,006	\$ 24,001	\$ 197,007
2025	174,311	20,696	195,007
2026	180,639	17,318	197,957
2027	76,991	14,916	91,907
2028	78,366	13,541	91,907
2029 - 2033	413,341	46,194	459,535
2034 - 2036	266,155	9,566	275,721
Totals	<u>\$ 1,362,809</u>	<u>\$ 146,232</u>	<u>\$ 1,509,041</u>

**NOTE 7 – 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 (NDRF), 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 NDRF for its general liability, auto and public assets insurance coverage. The coverage by NDRF is limited to losses of \$2,000,000 per occurrence for general liability and auto coverage.

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

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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 \$1,890,379 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

**NOTE 8 – PENSION PLANS**

**North Dakota Teacher's Fund for Retirement**

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

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

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

**Pension Benefits**

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

*Tier 1 Grandfathered*

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

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

*Tier 1 Non-Grandfathered*

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

## **HANKINSON PUBLIC SCHOOL DISTRICT**

### **Notes to Financial Statements – Continued**

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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 \$3,063,389 and \$2,232,076 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 TFFR employees. At June 30, 2023 and 2022 the District's proportion was .210390% and .211841%. The District's pension contributions for the years ended June 30, 2023 and 2022 was \$211,914 and \$211,088.

## HANKINSON PUBLIC SCHOOL DISTRICT

### Notes to Financial Statements – Continued

#### 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.

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.

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

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**NOTE 9 – RETIREMENT PLAN**

The District established a 403(b) retirement plan where the District will contribute up to \$9,000 in 403(b) contributions and other cafeteria benefits. For the years ended June 30, 2023 and 2022 the amounts the District contributed were \$62,376 and \$71,163.

**NOTE 10 – JOINT VENTURE**

The District participates in the following joint ventures:

**South Valley 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 Unit.

**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 superintendents. 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 described above. Separate financial statements for this joint venture are available from the Center.

**NOTE 11 – 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 \$17,826 and \$16,966.

**NOTE 12 – 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 13 – TRANSFERS**

Transfers from the General Fund to the Capital Projects Fund were made for capital improvements.

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

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**NOTE 14 – FUND BALANCE**

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

	<u>2023</u>	<u>2022</u>
Restricted		
Special Reserve	\$ 160,590	\$ 145,066
Capital Projects	654,633	605,058
Debt Service	306,359	721,129
Student Activities	88,370	134,356
Total Restricted	<u>1,209,952</u>	<u>1,605,609</u>
Assigned		
Food Service	49,407	119,444
Total Assigned	<u>49,407</u>	<u>119,444</u>
Unassigned	<u>1,783,151</u>	<u>1,608,831</u>
Total Fund Balance	<u>\$ 3,042,510</u>	<u>\$ 3,333,884</u>

**NOTE 15 – SUBSEQUENT EVENTS**

The District has evaluated subsequent events through October 16, 2024, the date on which the financial statements were available to be issued.

**HANKINSON PUBLIC SCHOOL DISTRICT**  
**Hankinson, 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	\$ 1,292,373	\$ 1,278,495	\$ (13,878)
State Sources	2,395,932	2,420,926	24,994
Federal Sources	269,156	269,580	424
Interest Income	7,300	9,512	2,212
Miscellaneous Income	50,870	34,098	(16,772)
Total Revenues	4,015,631	4,012,611	(3,020)
EXPENDITURES			
Current			
Regular Instruction	2,441,798	2,332,012	109,786
Special Instruction	68,899	47,889	21,010
Vocational Instruction	107,206	88,456	18,750
Pupil Services	60,658	41,253	19,405
General Administration Services	183,071	183,280	(209)
School Administration Services	106,218	106,258	(40)
Other Support Services	39,201	41,026	(1,825)
Operation and Maintenance	457,019	465,607	(8,588)
Pupil Transportation	130,416	126,168	4,248
Student Activities	358,177	361,343	(3,166)
School Food Services	102,337	90,985	11,352
Total Expenditures	4,055,000	3,884,277	170,723
Excess (Deficiency) of Revenues over Expenditures	(39,369)	128,334	167,703
FUND BALANCE, BEGINNING OF YEAR		1,743,187	
FUND BALANCE, END OF YEAR		\$ 1,871,521	

**HANKINSON PUBLIC SCHOOL DISTRICT**  
**Hankinson, 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	\$ 1,314,901	\$ 1,274,115	\$ (40,786)
State Sources	2,644,413	2,587,989	(56,424)
Federal Sources	123,380	905,644	782,264
Interest Income	7,200	8,058	858
Miscellaneous Income	49,370	48,843	(527)
Total Revenues	4,139,264	4,824,649	685,385
EXPENDITURES			
Current			
Regular Instruction	2,587,102	2,418,281	168,821
Special Instruction	74,323	78,795	(4,472)
Vocational Instruction	104,697	88,632	16,065
Pupil Services	35,000	43,534	(8,534)
General Administration Services	174,676	197,446	(22,770)
School Administration Services	107,769	97,811	9,958
Other Support Services	28,090	24,754	3,336
Operation and Maintenance	476,995	466,470	10,525
Pupil Transportation	132,473	145,906	(13,433)
Student Activities	305,595	288,481	17,114
School Food Services	88,089	95,790	(7,701)
Total Expenditures	4,114,809	3,945,900	168,909
Excess of Revenues over Expenditures	24,455	878,749	854,294
OTHER FINANCING SOURCES (USES)			
Operating Transfer Out	-	(589,558)	(589,558)
Total Other Financing Sources (Uses)	-	(589,558)	(589,558)
NET CHANGE IN FUND BALANCE	24,455	289,191	264,736
FUND BALANCE, BEGINNING OF YEAR		1,453,996	
FUND BALANCE, END OF YEAR		\$ 1,743,187	



**HANKINSON PUBLIC SCHOOL DISTRICT**  
**Hankinson, North Dakota**

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

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	Special Reserve	Food Service	Total Other Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 160,590	\$ 49,407	\$ 209,997
Total Assets	160,590	49,407	209,997
FUND BALANCE			
Restricted	160,590	-	160,590
Assigned	-	49,407	49,407
Total Fund Balance	\$ 160,590	\$ 49,407	\$ 209,997

**HANKINSON PUBLIC SCHOOL DISTRICT**  
**Hankinson, North Dakota**

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

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	Special Reserve	Food Service	Total Other Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 145,066	\$ 119,444	\$ 264,510
Total Assets	145,066	119,444	264,510
FUND BALANCE			
Restricted	145,066	-	145,066
Assigned	-	119,444	119,444
Total Fund Balance	\$ 145,066	\$ 119,444	\$ 264,510

**HANKINSON PUBLIC SCHOOL DISTRICT**  
**Hankinson, North Dakota**

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

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	Special Reserve	Food Service	Total Other Governmental Funds
REVENUES			
Local Sources	\$ 15,472	\$ 58,563	\$ 74,035
State Sources	-	647	647
Federal Sources	-	101,722	101,722
Interest Income	52	383	435
Total Revenues	15,524	161,315	176,839
EXPENDITURES			
Current			
School Food Services	-	231,352	231,352
Total Expenditures	-	231,352	231,352
Excess (Deficiency) of Revenues over Expenditures	15,524	(70,037)	(54,513)
FUND BALANCE, BEGINNING OF YEAR	145,066	119,444	264,510
FUND BALANCE, END OF YEAR	\$ 160,590	\$ 49,407	\$ 209,997

**HANKINSON PUBLIC SCHOOL DISTRICT**  
**Hankinson, North Dakota**

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

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	Special Reserve	Food Service	Total Other Governmental Funds
REVENUES			
Local Sources	\$ 14,878	\$ 13,050	\$ 27,928
State Sources	-	608	608
Federal Sources	-	221,118	221,118
Interest Income	40	394	434
Total Revenues	14,918	235,170	250,088
EXPENDITURES			
Current			
School Food Services	-	227,075	227,075
Total Expenditures	-	227,075	227,075
Excess of Revenues over Expenditures	14,918	8,095	23,013
FUND BALANCE, BEGINNING OF YEAR	130,148	111,349	241,497
FUND BALANCE, END OF YEAR	\$ 145,066	\$ 119,444	\$ 264,510

**HANKINSON PUBLIC SCHOOL DISTRICT**  
**Hankinson, North Dakota**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2022**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Number	Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through North Dakota Department of Public Instruction			
School Breakfast Program	10.553	F10553	\$ 37,342
National School Lunch Program - Cash	10.555	F10555	154,971
National School Lunch Program - Commodities	10.555	F10555	16,966
Fresh Fruit and Vegetable Program	10.582	F10582	9,696
Total Child Nutrition Cluster			218,975
State Administrative Expenses for Children Nutrition	10.560	F10560	1,529
Pandemic EBT Administrative Cost	10.649	F10649	614
Total U.S. Department of Agriculture			221,118
<b>U.S. DEPARTMENT OF THE INTERIOR</b>			
Wildlife Restoration and Basic Hunter Education	15.611	N/A	5,025
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through North Dakota Department of Public Instruction			
Title I - Grants to LEA's	84.010	F84010	174,007
Supporting Effective Instruction State Grants	84.367	F84367	23,597
Student Support and Academic Enrichment Program	84.424	F84424	11,726
Elementary and Secondary School Emergency Relief Fund - ESSER I & II	84.425D	F84425D	231,185
Elementary and Secondary School Emergency Relief Fund - ARP ESSER	84.425U	F84425U	450,000
Small, Rural School Achievement Program	84.358	NA	10,104
Total U.S. Department of Education			900,619
Total Expenditures of Federal Awards			\$ 1,126,762

**HANKINSON PUBLIC SCHOOL DISTRICT**  
**Hankinson, North Dakota**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2022**

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**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal award activity of the Hankinson Public School District under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The amounts reported on the schedule have been reconciled to and are in agreement with amounts recorded in the accounting records from which the financial statements have been reported.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the modified cash basis of accounting. Such expenditures are recognized following the applicable cost principles contained in Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or limited as to reimbursement. The Hankinson Public School District has not elected to use the 10-percent de minimis cost rate as allowed under the Uniform Guidance.

**NOTE 3 – NONCASH AWARDS**

Non-monetary assistance is reported in the schedule of federal awards at the fair market value of commodities received and disbursed.



**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  
Hankinson Public School District  
Hankinson, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hankinson Public School District (the "District"), as of and for the year ended June 30, 2023, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 16, 2024.

**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  
October 16, 2024





**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  
Hankinson Public School District  
Hankinson, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hankinson Public School District (the "District"), as of and for the year ended June 30, 2022, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 16, 2024.

**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 findings and questioned costs that we consider to be material weaknesses (2022-001 and 2022-002).

## **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 findings and questioned costs. 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  
October 16, 2024



## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

School Board  
Hankinson Public School District  
Hankinson, North Dakota

### **Report on Compliance for the Major Federal Program**

#### **Opinion on the Major Federal Program**

We have audited the Hankinson Public School District (the "District")'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal program for the year ended June 30, 2022. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

#### **Basis for Opinion on the Major Federal Program**

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

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

#### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

## **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

A handwritten signature in black ink that reads "Nadine Julson, LLC". The signature is written in a cursive, flowing style.

Nadine Julson, LLC  
Wahpeton, North Dakota  
October 16, 2024

**HANKINSON PUBLIC SCHOOL DISTRICT**  
**Hankinson, North Dakota**

**SCHEDULE OF CURRENT YEAR FINDINGS**  
**Year ended June 30, 2023**

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*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.

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

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*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.

**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.

**HANKINSON PUBLIC SCHOOL DISTRICT**  
**Hankinson, North Dakota**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year ended June 30, 2022**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**FINANCIAL STATEMENTS**

Type of Auditor's Report Issued	Unmodified
Internal Control Over Financial Reporting	
Material weakness identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

Internal Control Over Major Programs	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit finding disclosed that are required to be reported in accordance with 2 CDF 200.516(a)?	No
Identification of Major Programs	
<u>Name of Federal Program</u>	<u>ALN Number</u>
Education Stabilization Fund	84.425
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee	No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

*2022-001 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.



**HANKINSON PUBLIC SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs – Continued**

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**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.

**Repeat Finding**

Yes.

**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.

*2022-002 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.

**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.

**Repeat Finding**

Yes.

**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.

**HANKINSON PUBLIC SCHOOL DISTRICT**  
**Hankinson, North Dakota**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Year ended June 30, 2023**

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**Prior Financial Statement Findings**

*2022-001*

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.

*2022-002*

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.

**HANKINSON PUBLIC SCHOOL DISTRICT**  
**Hankinson, North Dakota**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Year ended June 30, 2022**

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**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 2022-001.

*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 2022-002.



# HANKINSON PUBLIC SCHOOL

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## Corrective Action Plan

**Year Ended June 30, 2022**

### *2022-001 INADEQUATE SEGREGATION OF DUTIES*

Contact Person – DeeAnn Bilben

Corrective Action Plan – The District will review segregation of duties in accounting functions where possible.

Completion Date – Ongoing.

### *2022-002 FINANCIAL STATEMENT PREPARATION*

Contact Person – DeeAnn Bilben

Corrective Action Plan – The District will approve an internal control policy to document the review of the financial statements.

Completion Date – Ongoing.