

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Wahpeton, North Dakota

AUDITED FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Wahpeton, North Dakota

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June 30, 2023 and 2022

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SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Wahpeton, North Dakota

OFFICIAL DIRECTORY
June 30, 2023

Neil Planteen	Chair
Scott Thiel	Vice Chair
Derek Beito	Board Member
Amanda Huber	Board Member
Ben Loll	Board Member
Sheila Nagel	Board Member
Mark Qual	Board Member
Sadie Siemieniewski	Board Member
Kris Beck	Board Member
Val Wagner	Board Member
Matt Asp	Board Member
Markus Geffre	Board Member
Kate Mund	Board Member
Art Nelson	Board Member
Dave Puetz	Board Member
Dan Spellerberg	Director
Janel Sayler	Business Manager



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Southeast Region Career & Technology Center
Wahpeton, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the major fund of the Southeast Region Career & Technology Center, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Southeast Region Career & Technology Center'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 the major fund of the Southeast Region Career & Technology Center, 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 accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Southeast Region Career & Technology Center, 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 – Change in Accounting Method

As discussed in Note 12, the Center has changed from the modified cash basis of accounting to 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 accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Southeast Region Career & Technology Center'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 Southeast Region Career & Technology Center'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 Southeast Region Career & Technology Center's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southeast Region Career & Technology Center's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations 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 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

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 December 18, 2023 on our consideration of the Southeast Region Career & Technology Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Southeast Region Career & Technology Center's internal control over financial reporting and compliance.



Nadine Julson, LLC
Wahpeton, North Dakota
December 18, 2023

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Wahpeton, North Dakota

STATEMENTS OF NET POSITION
June 30, 2023 and 2022

	2023	2022
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 1,287,865	\$ 1,307,463
Accounts Receivable	1,171,832	788,504
Inventories	468,216	210,709
Total Current Assets	2,927,913	2,306,676
Capital Assets		
Depreciable, net of accumulated depreciation		
Buildings and Improvements	774,440	794,430
Vehicles	91,598	107,668
Equipment	411,031	480,645
Total Capital Assets	1,277,069	1,382,743
Total Assets	4,204,982	3,689,419
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pension and OPEB	1,047,142	688,506
Total Assets and Deferred Outflows of Resources	5,252,124	4,377,925
LIABILITIES		
Current Liabilities		
Accounts Payable	127,196	110,818
Current Portion of Long-term Debt		
Notes Payable	26,660	25,953
Total Current Liabilities	153,856	136,771
Due After One Year		
Notes Payable	20,475	47,135
Compensated Absences	29,242	23,408
Pension and OPEB Liability	3,851,892	2,632,110
Total Long-term Liabilities	3,901,609	2,702,653
Total Liabilities	4,055,465	2,839,424
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions and OPEB	229,919	1,061,570
Total Liabilities and Deferred Inflows of Resources	4,285,384	3,900,994
NET POSITION		
Net Investment in Capital Assets	1,229,934	1,309,655
Restricted	892,394	590,224
Unrestricted (Deficit)	(1,155,588)	(1,422,948)
Total Net Position	\$ 966,740	\$ 476,931

See Notes to Financial Statements

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Wahpeton, North Dakota

STATEMENT OF ACTIVITIES
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
Instructional Support Services	\$ 5,509,978	\$ 3,245,898	\$ 3,549,091	\$ 1,285,011
Administration	718,923	-	-	(718,923)
Operations and Maintenance	265,747	-	-	(265,747)
Interest and Other Charges	1,708	-	-	(1,708)
	<u>\$ 6,496,356</u>	<u>\$ 3,245,898</u>	<u>\$ 3,549,091</u>	<u>298,633</u>
General Revenues				
Interest and Investment Earnings				5,317
Miscellaneous				<u>185,859</u>
Total General Revenues				<u>191,176</u>
Change in Net Position				489,809
Net Position, Beginning of Year				<u>476,931</u>
Net Position, End of Year				<u>\$ 966,740</u>

See Notes to Financial Statements

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Wahpeton, North Dakota

STATEMENT OF ACTIVITIES
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
Instructional Support Services	\$ 3,647,756	\$ 3,108,032	\$ 1,853,071	\$ 1,313,347
Administration	678,022	-	-	(678,022)
Operations and Maintenance	311,732	-	-	(311,732)
Interest and Other Charges	2,393	-	-	(2,393)
	<u>\$ 4,639,903</u>	<u>\$ 3,108,032</u>	<u>\$ 1,853,071</u>	<u>321,200</u>
General Revenues				
Interest and Investment Earnings				182
Gain on Sale of Assets				42,569
Miscellaneous				<u>31,366</u>
Total General Revenues				<u>74,117</u>
Change in Net Position				395,317
Net Position, Beginning of Year				<u>81,614</u>
Net Position, End of Year				<u>\$ 476,931</u>

See Notes to Financial Statements

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Wahpeton, North Dakota

BALANCE SHEETS – GOVERNMENTAL FUNDS
June 30, 2023 and 2022

	General Fund	
	2023	2022
ASSETS		
Cash and Cash Equivalents	\$ 1,287,865	\$ 1,307,463
Accounts Receivable	1,171,832	788,504
Inventories	468,216	210,709
Total Assets	2,927,913	2,306,676
LIABILITIES		
Accounts Payable	127,196	110,818
Total Liabilities	127,196	110,818
FUND BALANCE		
Nonspendable	468,216	210,709
Restricted	424,178	379,515
Unassigned	1,908,323	1,605,634
Fund Balance	\$ 2,800,717	\$ 2,195,858
Total Liabilities and Fund Balance	\$ 2,927,913	\$ 2,306,676

See Notes to Financial Statements

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Wahpeton, North Dakota

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS
TO THE STATEMENTS OF NET POSITION
June 30, 2023 and 2022

Total Fund Balance - Governmental Funds June 30, 2023		\$	2,800,717
Total net position reported for government activities in the statement of net position is different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.			
Cost of Capital Assets	2,045,453		
Less Accumulated Depreciation	(768,384)		
Net Capital Assets			1,277,069
Long-term liabilities applicable to the Center'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.			
Compensated Absences	(29,242)		
Notes Payable	(47,135)		
Pension Liability (net of related outflows and inflows)	(3,034,669)		
Total Long-term Liabilities			(3,111,046)
Total Net Position of Governmental Activities June 30, 2023		\$	966,740
Total Fund Balance - Governmental Funds June 30, 2022		\$	2,195,858
Total net position reported for government activities in the statement of net position is different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.			
Cost of Capital Assets	2,037,204		
Less Accumulated Depreciation	(654,461)		
Net Capital Assets			1,382,743
Long-term liabilities applicable to the Center'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.			
Compensated Absences	(23,408)		
Notes Payable	(73,088)		
Pension Liability (net of related outflows and inflows)	(3,005,174)		
Total Long-term Liabilities			(3,101,670)
Total Net Position of Governmental Activities June 30, 2022		\$	476,931

See Notes to Financial Statements

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Wahpeton, North Dakota

**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – GOVERNMENTAL FUNDS**
Years Ended June 30, 2023 and 2022

	General Fund	
	2023	2022
REVENUES		
Local Sources	\$ 3,295,923	\$ 3,224,404
State Sources	1,688,096	1,569,584
Federal Sources	1,810,970	167,115
Interest Income	5,317	182
Miscellaneous Income	185,859	91,953
Total Revenues	6,986,165	5,053,238
EXPENDITURES		
Current		
Instructional Support Services	5,360,726	3,682,135
Administration	727,172	764,246
Operations and Maintenance	265,747	311,732
Debt Service		
Principal	25,953	25,267
Interest and Other Charges	1,708	2,393
Total Expenditures	6,381,306	4,785,773
Excess of Revenues over Expenditures	604,859	267,465
FUND BALANCE, BEGINNING OF YEAR	2,195,858	1,928,393
FUND BALANCE, END OF YEAR	\$ 2,800,717	\$ 2,195,858

See Notes to Financial Statements

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Wahpeton, North Dakota

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENTS OF ACTIVITIES**
Years Ended June 30, 2023 and 2022

Net Change in Fund Balances - Total Government Funds June 30, 2023	\$	604,859
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.		(105,674)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.		
Net Increase in Compensated Absences	(5,834)	
Net Increase in Pension Liability	(29,495)	
		(35,329)
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.		25,953
Change in Net Position of Governmental Activities June 30, 2023	\$	489,809
Net Change in Fund Balances - Total Government Funds June 30, 2022	\$	267,465
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.		18,951
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.		
Net Increase in Compensated Absences	(8,805)	
Net Decrease in Pension Liability	114,759	
		105,954
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.		25,267
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.		(22,320)
Change in Net Position of Governmental Activities June 30, 2022	\$	395,317

See Notes to Financial Statements

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Wahpeton, North Dakota

NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Southeast Region Career & Technology Center, Wahpeton, North Dakota (the Center) have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The accompanying financial statements present the activities of the Southeast Region Career & Technology Center. The Center has considered all potential component units for which the Center is financially accountable and other organizations for which the nature and significance of their relationships with the Center such that exclusion would cause the Center'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 Southeast Region Career & Technology Center 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 Southeast Region Career & Technology Center.

Based on these criteria, there are no component units to be included within the Southeast Region Career & Technology Center as a reporting entity.

B. Basis of Presentation, Basis of Accounting

Government-wide statements - The statement of net position and the statement of activities display information about the primary government (Southeast Region Career & Technology Center). 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 Center'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 funds. The Center 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 Center reports the following major governmental fund:

1. General Fund

- a. The General Fund is the Center's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

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

The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations.

On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District’s policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts. Cash equivalents on the statement of cash flows consist of certificates of deposit with a maturity of three months or less. Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the uninsured balance.

E. Inventories

Inventory consists of construction costs for projects held for sale as of June 30, 2023 and 2022. Reported inventories net of deferred revenue are offset by a fund balance reserve to indicate that they do not constitute “available spending resources” even though they are a component of net current assets.

F. 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 Center as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

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

G. Vacation Pay and Sick Pay

Employees in job classifications so designated by the board as vacation eligible shall receive 10 days for 1-7 years of service, 15 days for 8-15 years of service, and 20 days for 16 and greater years of service. Employees may carry forward vacation days in an amount not to exceed 50% of the number of provided days for the previous year. Employees who leave the Center shall be paid for those unused days at their regular rate of pay.

H. 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.

I. Pension Plans

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

J. Other Post Employment Benefits (OPEB)

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

K. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The Center has contributions made to pension and OPEB plans after the measurement date and prior to the fiscal year end, and changes in the net pension and OPEB liability not included in the pension and OPEB expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Center has changes in pension and OPEB liabilities reported in the government-wide statement of net position.

L. 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:

1. Nonspendable
 - a. Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. They include items such as, but not limited to, inventories, prepaid items, or the permanent principal of endowment funds.
2. Restricted
 - a. Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER

Notes to Financial Statements – Continued

3. Committed

- a. A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the School Board. Formal action is required to be taken to establish, modify, or rescind a fund balance commitment.

4. Assigned

- a. Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes but are under the direction of the board and the business manager.

5. Unassigned

- a. Unassigned fund balance is the lowest classification for the General Fund. This is a fund balance that has not been reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

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

M. 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 Center'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.

N. 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 exceeded budgeted amounts for the years ended June 30, 2023 and 2022. Expenditures in excess of budgeted amounts were offset with revenues in excess of budgeted amounts.

NOTE 3 – DEPOSITS AND INVESTMENTS

In accordance with North Dakota Statutes, the Center 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.

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER

Notes to Financial Statements – Continued

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 Center's carrying amounts of deposits were \$1,287,865 and \$1,307,463. The bank balances were \$1,410,177 and \$1,431,716. Of the bank balances, \$500,000 was covered by Federal Depository Insurance and the remaining bank balances were collateralized with an irrevocable standby letter of credit held by the pledging financial institution's agent in the Center's name.

Credit Risk:

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

NOTE 4 – DUE FROM STATE, FEDERAL, AND OTHER GOVERNMENT

Amounts due from state, federal, and other governments consist of a reimbursement for various grant programs.

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Notes to Financial Statements – Continued

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, being depreciated				
Buildings and Improvements	\$ 999,525	\$ -	\$ -	\$ 999,525
Vehicles	199,828	-	-	199,828
Equipment	837,851	8,249	-	846,100
Total Capital Assets, being depreciated	2,037,204	8,249	-	2,045,453
Less Accumulated Depreciation for				
Buildings and Improvements	205,095	19,990	-	225,085
Vehicles	92,160	16,070	-	108,230
Equipment	357,206	77,863	-	435,069
Total Accumulated Depreciation	654,461	113,923	-	768,384
Total Capital Assets Being Depreciated, net	1,382,743	(105,674)	-	1,277,069
Governmental Activities Capital Assets, net	<u>\$ 1,382,743</u>	<u>\$ (105,674)</u>	<u>\$ -</u>	<u>\$ 1,277,069</u>
	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022
Governmental Activities				
Capital Assets, being depreciated				
Buildings and Improvements	\$ 999,525	\$ -	\$ -	\$ 999,525
Vehicles	190,497	39,124	(29,793)	199,828
Equipment	775,427	99,624	(37,200)	837,851
Total Capital Assets, being depreciated	1,965,449	138,748	(66,993)	2,037,204
Less Accumulated Depreciation for				
Buildings and Improvements	185,105	19,990	-	205,095
Vehicles	102,903	19,050	(29,793)	92,160
Equipment	291,329	80,757	(14,880)	357,206
Total Accumulated Depreciation	579,337	119,797	(44,673)	654,461
Total Capital Assets Being Depreciated, net	1,386,112	18,951	(22,320)	1,382,743
Governmental Activities Capital Assets, net	<u>\$ 1,386,112</u>	<u>\$ 18,951</u>	<u>\$ (22,320)</u>	<u>\$ 1,382,743</u>

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

	2023	2022
Governmental Activities		
Instructional Support Services	\$ 113,923	\$ 119,797
Total Depreciation Expense - Governmental Activities	<u>\$ 113,923</u>	<u>\$ 119,797</u>

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Notes to Financial Statements – Continued

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					
Notes Payable	\$ 73,088	\$ -	\$ (25,953)	\$ 47,135	\$ 26,660
Compensated Absences*	23,408	5,834	-	29,242	-
Pension and OPEB Liability*	2,632,110	1,219,782	-	3,851,892	-
Total - Governmental Activities	<u>\$ 2,728,606</u>	<u>\$ 1,225,616</u>	<u>\$ (25,953)</u>	<u>\$ 3,928,269</u>	<u>\$ 26,660</u>

	Long-term Liabilities at July 1, 2021	Increases	Decreases	Long-term Liabilities at June 30, 2022	Due Within One Year
Governmental Activities					
Notes Payable	\$ 98,355	\$ -	\$ (25,267)	\$ 73,088	\$ 25,953
Compensated Absences*	14,603	8,805	-	23,408	-
Pension and OPEB Liability*	3,801,958	-	(1,169,848)	2,632,110	-
Total - Governmental Activities	<u>\$ 3,914,916</u>	<u>\$ 8,805</u>	<u>\$ (1,195,115)</u>	<u>\$ 2,728,606</u>	<u>\$ 25,953</u>

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

Outstanding debt at June 30, 2023 and 2022 is comprised of the following individual issuance:

1. Note Payable

- a. From an original issuance of \$129,000 at 2.69%. At June 30, 2023 and 2022 \$47,135 and \$73,088 remained outstanding. The principal and interest are payable on February, May, August, and November through February 28, 2025.

The debt service requirement are as follows:

Note Payable				
(Dated May 28, 2020, due quarterly to February 28, 2025)				
(Interest paid monthly)				
Year Ending June 30,	Rate	Principal	Interest	Payment
2024	2.69%	\$ 26,660	\$ 999	\$ 27,659
2025	2.69%	20,475	275	20,750
Totals		<u>\$ 47,135</u>	<u>\$ 1,274</u>	<u>\$ 48,409</u>

NOTE 7 – RISK MANAGEMENT

The Center 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 Center 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.

The Center also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Center 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 \$1,589,562 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.

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.

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Notes to Financial Statements – Continued

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

At June 30, 2023 and 2022, the Center reported a liability of \$3,536,627 and \$2,530,311 for its proportionate share of the net pension liability. 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 Center's proportion of the net pension liability was based on the Center'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 Center's proportion was .242891% and .240146%.

For the years ended June 30, 2023 and 2022, the Center recognized pension expense of \$258,120 and \$129,468.

At June 30, 2023, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,241	\$ 94,426
Changes in assumptions	71,914	-
Net difference between projected and actual investment earnings	264,898	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	198,896	515
Employer contributions subsequent to the measurement date	261,151	-
Totals	<u>\$ 812,100</u>	<u>\$ 94,941</u>

At June 30, 2022, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,580	\$ 106,710
Changes in assumptions	88,876	-
Net difference between projected and actual investment earnings	-	741,418
Changes in proportion and differences between employer contributions and proportionate share of contributions	206,561	774
Employer contributions subsequent to the measurement date	243,695	-
Totals	<u>\$ 556,712</u>	<u>\$ 848,902</u>

\$261,151 and \$243,695 reported as deferred outflows of resources related to pensions resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended June 30, 2024 and 2023.

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Notes to Financial Statements – Continued

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

<u>Year ended June 30</u>	
2024	\$ 86,096
2025	56,678
2026	10,987
2027	251,394
2028	24,381
Thereafter	26,473

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:

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

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Notes to Financial Statements – Continued

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.

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

The following presents the net pension liability of the TFFR employers calculated using the discount rate of 7.25% as of June 30, 2022, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension liability	\$ 4,859,001	\$ 3,536,627	\$ 2,439,884

Pension Plan Fiduciary Net Position

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

North Dakota Public Employees Retirement System

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

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

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

Pension Benefits

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

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Notes to Financial Statements – Continued

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

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

At June 30, 2023 and 2022, the Center reported a liability of \$302,263 and \$96,454 for its proportionate share of the net pension liability. 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 Center's proportion of the net pension liability was based on the Center'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 Center's proportion was .010495% and .009254%.

For the years ended June 30, 2023 and 2022, the Center recognized pension expense of \$42,635 and \$11,865.

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Notes to Financial Statements – Continued

At June 30, 2023, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,576	\$ 5,774
Changes in assumptions	180,758	112,060
Net difference between projected and actual investment earnings	11,063	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	22,317	16,186
Employer contributions subsequent to the measurement date	10,773	-
Totals	<u>\$ 226,487</u>	<u>\$ 134,020</u>

At June 30, 2022, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,666	\$ 9,845
Changes in assumptions	106,756	139,188
Net difference between projected and actual investment earnings	-	35,773
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,949	24,717
Employer contributions subsequent to the measurement date	10,695	-
Totals	<u>\$ 128,066</u>	<u>\$ 209,523</u>

\$261,151 and \$243,695 reported as deferred outflows of resources related to pensions resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended June 30, 2023 and 2022.

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

<u>Year ended June 30</u>	
2024	\$ 20,791
2025	23,109
2026	6,736
2027	31,058
2028	-
Thereafter	-

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
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 the measurement:

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

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

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

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

Discount Rate

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

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

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

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

The following presents the net pension liability of the NDPERS employers calculated using the discount rate of 5.10% as of June 30, 2022, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (4.10%)	Current Discount Rate (5.10%)	1% Increase (6.10%)
District's proportionate share of the net pension liability	\$ 398,966	\$ 302,263	\$ 222,873

Pension Plan Fiduciary Net Position

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

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

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

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

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Notes to Financial Statements – Continued

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

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

At June 30, 2023 and 2022, the Center reported a liability of \$13,002 and \$5,345 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022 and 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial calculation as of that date. The Center's proportion of the net OPEB liability was based on the Center's share of covered payroll in the pension plan relative to the covered payroll of all participating NDPERS employees. At June 30, 2023 and 2022 the Center's proportion was .010832% and .009611%.

For the years ended June 30, 2023 and 2022, the Center recognized pension expense of \$2,362 and \$767.

At June 30, 2023, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 308	\$ 112
Changes in assumptions	3,275	-
Net difference between projected and actual investment earnings	1,751	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,496	846
Employer contributions subsequent to the measurement date	1,725	-
Totals	<u>\$ 8,555</u>	<u>\$ 958</u>

At June 30, 2022, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 306	\$ 147
Changes in assumptions	828	-
Net difference between projected and actual investment earnings	-	1,831
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,319	1,167
Employer contributions subsequent to the measurement date	1,275	-
Totals	<u>\$ 3,728</u>	<u>\$ 3,145</u>

\$1,725 and \$1,275 reported as deferred outflows of resources related to pensions resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended June 30, 2023 and 2022.

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Notes to Financial Statements – Continued

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

<u>Year ended June 30</u>	
2024	\$ 1,561
2025	1,473
2026	1,214
2027	1,624
2028	-
Thereafter	-

Actuarial Assumptions

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

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

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2017 are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total OPEB liability was 5.75%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2022, and July 1, 2021, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Notes to Financial Statements – Continued

Sensitivity of the Center's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the NDPERS employers calculated using the discount rate of 5.39% as of June 30, 2022, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
District's proportionate share of the net pension liability	\$ 16,596	\$ 13,002	\$ 9,985

OPEB Plan Fiduciary Net Position

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

NOTE 10 – RETIREMENT PLAN

The Center established a 403(b) retirement plan where the Center will contribute up to \$200 per month for employees electing to not take a medical insurance option. Contributions for the years ended June 30, 2023 and 2022 were \$5,975 and \$4,713.

NOTE 11 – CONCENTRATIONS

The Center 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 Center's programs and its continued operations.

NOTE 12 – CHANGE IN ACCOUNTING PRINCIPAL

The Center changed from the modified cash basis of accounting to accounting principles generally accepted in the United States of America. As a result, beginning net position has been restated to reflect the related fund balance of resources as of July 1, 2021 and general fund balance have been restated as follows:

Net Position July 1, 2021 as previously reported	\$ 2,234,793
Restatement for change of accounting	
Receivables	745,754
Inventories	252,853
Accounts Payable	(1,250)
Deferred Revenues	(16,000)
Pension & OPEB Liabilities, net of deferred inflows and outflows	(3,119,933)
Compensated Absences	(14,603)
Net position July 1, 2021 as restated	<u>\$ 81,614</u>
General Fund Balance July 1, 2021 as previously reported	\$ 947,036
Restatement for change of accounting	
Receivables	745,754
Inventories	252,853
Deferred Revenues	(16,000)
Accounts Payable	(1,250)
General Fund Balance July 1, 2021 as restated	<u>\$ 1,928,393</u>

NOTE 13 – SUBSEQUENT EVENTS

The Center has evaluated subsequent events through December 18, 2023, the date on which the financial statements were available to be issued.

The Center has committed to approximately \$ in construction projects to be completed in the next fiscal year. Construction costs will be paid with grant revenues and local cost shares.

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Wahpeton, North Dakota

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

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Local Sources	\$ 3,301,945	\$ 3,295,923	\$ (6,022)
State Sources	1,667,205	1,688,096	20,891
Federal Sources	132,799	1,810,970	1,678,171
Interest Income	290	5,317	5,027
Miscellaneous Income	22,500	185,859	163,359
Total Revenues	5,124,739	6,986,165	1,861,426
EXPENDITURES			
Current			
Instructional Support Services	4,086,007	5,360,726	(1,274,719)
Administration	758,211	727,172	31,039
Operations and Maintenance	241,181	265,747	(24,566)
Debt Service			
Principal	25,953	25,953	-
Interest and Other Charges	1,708	1,708	-
Total Expenditures	5,113,060	6,381,306	(1,268,246)
Excess of Revenues over Expenditures	11,679	604,859	593,180
FUND BALANCE, BEGINNING OF YEAR		2,195,858	
FUND BALANCE, END OF YEAR		\$ 2,800,717	

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Wahpeton, North Dakota

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

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Local Sources	\$ 2,999,824	\$ 3,224,404	\$ 224,580
State Sources	1,580,523	1,569,584	(10,939)
Federal Sources	128,234	167,115	38,881
Interest Income	290	182	(108)
Miscellaneous Income	22,560	91,953	69,393
Total Revenues	4,731,431	5,053,238	321,807
EXPENDITURES			
Current			
Instructional Support Services	3,740,141	3,682,135	58,006
Administration	760,594	764,246	(3,652)
Operations and Maintenance	236,056	311,732	(75,676)
Debt Service			
Principal	25,267	25,267	-
Interest and Other Charges	2,393	2,393	-
Total Expenditures	4,764,451	4,785,773	(21,322)
Excess (Deficiency) of Revenues over Expenditures	(33,020)	267,465	300,485
FUND BALANCE, BEGINNING OF YEAR		1,928,393	
FUND BALANCE, END OF YEAR		\$ 2,195,858	

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Wahpeton, North Dakota

PENSION AND OPEB SCHEDULES
Years Ended June 30, 2023 and 2022

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

	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.242891%	3,536,627	1,911,342	185.03%	75.70%
2022	0.240146%	2,530,311	1,850,804	136.71%	75.70%
2021	0.229054%	3,505,681	1,671,318	209.76%	63.40%
2020	0.226443%	3,118,689	1,588,560	196.32%	65.50%
2019	0.222298%	2,962,922	1,511,205	196.06%	65.50%
2018	0.224411%	3,055,286	1,501,414	203.49%	63.20%
2017	0.219913%	3,221,856	1,428,830	225.49%	59.20%
2016	0.217814%	2,848,692	1,339,785	212.62%	62.10%
2015	0.216803%	2,271,711	1,257,571	180.64%	66.60%

	Statutorily Required Contribution	Contributions in Relation to Statutorily Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2023	243,695	(243,695)	-	1,911,342	12.75%
2022	235,978	(235,978)	-	1,850,804	12.75%
2021	213,095	(213,095)	-	1,671,318	12.75%
2020	202,541	(202,541)	-	1,588,560	12.75%
2019	192,678	(192,678)	-	1,511,205	12.75%
2018	191,430	(191,430)	-	1,501,414	12.75%
2017	182,176	(182,176)	-	1,428,830	12.75%
2016	170,814	(170,814)	-	1,339,785	12.75%
2015	135,188	(135,188)	-	1,257,571	10.75%

*Complete data for these schedules is not available prior to 2015

**The measurement date of the net pension liability is June 30th of the prior year

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Pension and OPEB Schedules – Continued

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

	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.010495%	302,263	121,831	248.10%	78.26%
2022	0.009254%	96,454	104,787	92.05%	78.26%
2021	0.009180%	288,805	101,269	285.19%	48.91%
2020	0.012508%	146,603	130,108	112.68%	71.66%
2019	0.012419%	209,584	127,580	164.28%	62.80%
2018	0.009314%	149,707	95,078	157.46%	61.98%
2017	0.091440%	89,117	92,145	96.71%	70.46%
2016	0.010158%	69,076	90,495	76.33%	77.70%
2015	0.010169%	64,545	85,660	75.35%	78.18%
	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2023	9,176	(10,672)	(1,496)	121,831	8.76%
2022	7,728	(7,461)	267	104,787	7.12%
2021	7,171	(8,714)	(1,543)	101,269	8.60%
2020	9,472	(9,264)	208	130,108	7.12%
2019	9,397	(8,907)	490	127,580	6.98%
2018	6,895	(6,770)	125	95,078	7.12%
2017	6,672	(6,561)	111	92,145	7.12%
2016	6,874	(6,443)	431	90,495	7.12%
2015	6,099	(6,099)	-	85,660	7.12%

*Complete data for these schedules is not available prior to 2015

**The measurement date of the net pension liability is June 30th of the prior year

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Pension and OPEB Schedules – Continued

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

	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2023	0.010832%	13,002	111,831	11.63%	76.63%
2022	0.009611%	5,345	104,787	5.10%	76.63%
2021	0.008883%	7,472	101,269	7.38%	63.38%
2020	0.011660%	9,365	130,108	7.20%	63.13%
2019	0.016590%	9,182	127,580	7.20%	61.89%
2018	0.008789%	6,952	95,078	7.31%	59.78%
	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2023	1,361	(1,269)	92	111,831	1.13%
2022	1,260	(1,195)	65	104,787	1.14%
2021	1,190	(1,395)	(205)	101,269	1.38%
2020	1,513	(1,483)	30	130,108	1.14%
2019	1,496	(1,426)	70	127,580	1.12%
2018	1,105	(1,084)	21	95,078	1.14%

*Complete data for these schedules is not available prior to 2018

**The measurement date of the net pension liability is June 30th of the prior year

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Years Ended June 30, 2023 and 2022

NOTE 1 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

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

- The annual budget must be prepared, and District taxes must be levied on or before the 15th day of August of each year.
- The taxes levied must be certified to the county auditor by October 10th.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the Business Manager at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- All appropriations lapse at year-end.

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

Changes of Assumptions

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

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

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

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

NOTE 3 – NORTH DAKOTA PUBLIC EMPLOYEE RETIREMENT SYSTEM CHANGES OF ASSUMPTIONS

Changes of Benefit Terms

The interest rate earned on member contributions decreased from 6.50 percent to 6.00 percent effective January 1, 2023 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System increased from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

Changes of Assumptions

The investment return assumption was updated from 7.00% to 6.50% beginning with the actuarial valuation as of July 1, 2022. All other actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020.

NOTE 4 – NORTH DAKOTA PUBLIC EMPLOYEE RETIREMENT SYSTEM CHANGES OF ASSUMPTIONS OPEB

Changes of Benefit Terms

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

Changes of Assumptions

The investment return assumption was updated from 6.50% to 5.75% beginning with the actuarial valuation as of July 1, 2022. All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2021.

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Wahpeton, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title		Federal CFDA Number	Pass-Through Number	Expenditures
U.S. DEPARTMENT OF TREASURY				
Passed through North Dakota Department of Career and Technical Education Coronavirus Capital Projects Fund	(Note 3)	21.029	N/A	\$ 1,643,782
U.S. DEPARTMENT OF EDUCATION				
Passed through North Dakota Department of Public Instruction				
Title I - Grants to LEA's		84.010	N/A	20,000
Passed through North Dakota Department of Career and Technical Education				
Career and Technical Education - Basic Grants to States		84.048	N/A	129,867
American Rescue Plan - Elementary and Secondary School Emergency Relief		84.425U	N/A	17,321
Total U.S. Department of Education				167,188
Total Expenditures of Federal Awards				\$ 1,810,970

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Wahpeton, North Dakota

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal award activity of the Southeast Region Career & Technology Center under programs of the federal government for the year ended June 30, 2023. 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 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual 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 Southeast Region Career & Technology Center has not elected to use the 10-percent de minimis cost rate as allowed under the Uniform Guidance.

NOTE 3 – MAJOR PROGRAM

This represents a major federal financial assistance program.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Southeast Region Career & Technology Center
Wahpeton, 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, and the major fund of the Southeast Region Career & Technology Center, as of and for the years ended June 30, 2023 and 2022, and the related notes to financial statements, which collectively comprise the Southeast Region Career & Technology Center's basic financial statements, and have issued our report thereon dated December 18, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southeast Region Career & Technology Center'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 Southeast Region Career & Technology Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center'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 (2023-001 and 2023-002).

Report Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southeast Region Career & Technology Center'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*.

Center's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Center's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Center's response as 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 Center'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 Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Nadine Julson, LLC
Wahpeton, North Dakota
December 18, 2023



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

Board of Directors
Southeast Region Career & Technology Center
Wahpeton, North Dakota

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the Southeast Region Career & Technology Center's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2023. The Center's major federal program is identified in the summary of auditor's section of the accompanying schedule of findings and questioned costs.

In our opinion, the Southeast Region Career & Technology Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

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 Southeast Region Career & Technology Center 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 the major federal program. Our audit does not provide a legal determination of the Southeast Region Career & Technology Center'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 Southeast Region Career & Technology Center's major federal program.

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 Southeast Region Career & Technology Center'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 Southeast Region Career & Technology Center's compliance with the requirements of the major federal program.

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 Southeast Region Career & Technology Center'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 Southeast Region Career & Technology Center'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 Southeast Region Career & Technology Center'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 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
December 18, 2023

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Wahpeton, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2023

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 deficiency identified not considered to be material weakness	No
Noncompliance material to financial statements noted	No

FEDERAL AWARDS

Internal control over major program	
Material weakness identified	No
Significant deficiency identified not considered to be material weakness	None reported
Type of auditor's report issued on compliance for major program	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No
Identification of major program	
<u>Name of federal program</u>	<u>CFDA Number</u>
Coronavirus Capital Projects Fund	21.029
Dollar threshold used to distinguish between Type A and Type B program	\$750,000
Auditee qualified as low-risk auditee?	No

SECTION II – FINANCIAL STATEMENT FINDINGS

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 Center.

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 Center. 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 Center. The Center will segregate functions where feasible.

2023-002 FINANCIAL STATEMENT PREPARATION

Criteria

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

Condition

The Center 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 Center results in more than a remote likelihood that the Center 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.

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Schedule of Findings and Questioned Costs – Continued

Recommendation

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

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Wahpeton, North Dakota

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

Prior Financial Statement Findings

2022-001

A material weakness was reported for inadequate segregation of duties.

Corrective Action Plan

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the Center. 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.

Corrective Action Plan

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