



Financial Statements  
June 30, 2024

# Northern Cass Public School District

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# Northern Cass Public School District

School District Officials

June 30, 2024

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Name	Position	Term Expires
<b>School Board</b>		
Brade Bjerke	Board President	2026
Chris Murch	Board Vice President	2025
Sean Jalbert	Board Member	2025
Penny Johnson	Board Member	2024
Travis Moser	Board Member	2024
Todd Olson	Board Member	2025
Lori Steffes	Board Member	2026
<b>Administration</b>		
Dr. Cory Steiner	Superintendent	
Paige Carlson	Business Manager	



## Independent Auditor's Report

To the School Board  
Northern Cass Public School District  
Hunter, North Dakota

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the modified cash basis financial statements of the governmental activities and each major fund of Northern Cass Public School District ("the District") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each major fund of the District, as of June 30, 2024, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

#### *Basis for Opinions*

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

#### *Emphasis of Matter – Basis of Accounting*

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

### ***Responsibilities of Management for the Financial Statements***

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The general fund budgetary comparison schedule is presented for purposes of additional analysis and is 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 GAAS. In our opinion, the general fund budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the listing of school district officials 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 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 November 6, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota  
November 6, 2024

Northern Cass Public School District  
Statement of Net Position - Modified Cash Basis  
June 30, 2024

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash and investments	<u>\$ 3,581,491</u>
Noncurrent Assets	
Capital assets, not being depreciated	
Land	80,000
Construction in progress	300,000
Capital assets, net of accumulated depreciation	
Buildings	11,346,470
Equipment	1,089,589
Vehicles	<u>586,701</u>
Total noncurrent assets	<u>13,402,760</u>
Total assets	<u>16,984,251</u>
Liabilities	
Long-Term Liabilities	
Due within one year - bonds payable	289,359
Due within one year - financed purchases payable	19,210
Due in more than one year - bonds payable	4,123,993
Due in more than one year - financed purchases payable	<u>40,690</u>
Total liabilities	<u>4,473,252</u>
Net Position	
Net investment in capital assets	8,929,508
Restricted	834,632
Unrestricted	<u>2,746,859</u>
Total net position	<u><u>\$ 12,510,999</u></u>

Northern Cass Public School District  
Statement of Activities - Modified Cash Basis  
Year Ended June 30, 2024

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction	\$ 6,027,795	\$ 715	\$ 795,435	\$ -	\$ (5,231,645)
Support Services					
Student	245,433	-	-	-	(245,433)
Instructional	401,490	-	-	-	(401,490)
Administration services	1,031,786	-	-	-	(1,031,786)
Operations and maintenance	766,018	-	-	-	(766,018)
Transportation services	877,494	-	307,810	-	(569,684)
Preschool	250,311	-	-	-	(250,311)
Extracurriculars	1,550,153	930,420	-	-	(619,733)
Food services	637,722	425,486	115,470	-	(96,766)
Debt service	88,198	-	-	-	(88,198)
Total governmental activities	<u>\$ 11,876,400</u>	<u>\$ 1,356,621</u>	<u>\$ 1,218,715</u>	<u>\$ -</u>	<u>(9,301,064)</u>
General Revenues					
Property taxes, levied for general purposes					2,689,128
Property taxes, levied for debt service					151,443
State aid not restricted for a specific purpose					6,334,155
Investment income					55,008
Miscellaneous					36,244
Total general revenues					<u>9,265,978</u>
Changes in Net Position					(35,086)
Net Position, Beginning of Year					<u>12,546,085</u>
Net Position, End of Year					<u>\$ 12,510,999</u>



Northern Cass Public School District  
Balance Sheet - Governmental Funds - Modified Cash Basis  
June 30, 2024

	General	Food Service	Special Reserve	Building	Debt Service	Total Governmental Funds
Assets						
Cash and investments	\$ 2,568,820	\$ 178,039	\$ 416,703	\$ 259,698	\$ 158,231	\$ 3,581,491
Fund Balances						
Restricted for:						
Special Reserve	\$ -	\$ -	\$ 416,703	\$ -	\$ -	\$ 416,703
Capital Projects	-	-	-	259,698	-	259,698
Debt Service	-	-	-	-	158,231	158,231
Committed for campus activities	538,709	-	-	-	-	538,709
Assigned for Food Service	-	178,039	-	-	-	178,039
Unassigned	2,030,111	-	-	-	-	2,030,111
Total fund balances	\$ 2,568,820	\$ 178,039	\$ 416,703	\$ 259,698	\$ 158,231	\$ 3,581,491

# Northern Cass Public School District

## Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position - Modified Cash Basis June 30, 2024

Total Governmental Fund Balances		\$ 3,581,491
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the statement of net position.		
Those assets consist of:		
Cost of capital assets	\$ 21,389,820	
Less accumulated depreciation	<u>(7,987,060)</u>	
		13,402,760
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, therefore, are not reported in the funds. All liabilities, both current and long-term, are reported in the statement of net position.		
Bonds payable		(4,413,352)
Finance purchases payable		<u>(59,900)</u>
Net Position of Governmental Activities		<u><u>\$ 12,510,999</u></u>

Northern Cass Public School District  
Statement of Revenues, Expenditures and Changes in Fund Balances -  
Governmental Funds - Modified Cash Basis  
Year Ended June 30, 2024

	General	Food Service	Special Reserve	Building	Debt Service	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 2,326,641	\$ -	\$ 83,651	\$ 278,836	\$ 151,443	\$ 2,840,571
Other local sources	1,021,105	426,299	-	469	-	1,447,873
State sources	6,928,396	6,733	-	-	-	6,935,129
Federal sources	509,004	108,737	-	-	-	617,741
<b>Total revenues</b>	<b>10,785,146</b>	<b>541,769</b>	<b>83,651</b>	<b>279,305</b>	<b>151,443</b>	<b>11,841,314</b>
<b>Expenditures</b>						
Current						
Instruction	5,845,851	-	-	-	-	5,845,851
Support services						
Student	243,454	-	-	-	-	243,454
Instructional	400,358	-	-	-	-	400,358
Administration services	1,031,786	-	-	-	-	1,031,786
Operations and maintenance	639,825	-	-	-	-	639,825
Transportation services	594,495	-	-	-	-	594,495
Preschool	242,029	-	-	-	-	242,029
Extracurriculars	1,550,153	-	-	-	-	1,550,153
Food services	-	636,924	-	-	-	636,924
Debt service						
Principal	-	-	-	160,000	127,105	287,105
Interest	-	-	-	58,793	29,405	88,198
Capital outlay	356,437	-	-	378,924	-	735,361
<b>Total expenditures</b>	<b>10,904,388</b>	<b>636,924</b>	<b>-</b>	<b>597,717</b>	<b>156,510</b>	<b>12,295,539</b>
Excess (deficiency) of revenues over (under) expenditures	(119,242)	(95,155)	83,651	(318,412)	(5,067)	(454,225)
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	70,000	-	220,000	-	290,000
Transfers out	(290,000)	-	-	-	-	(290,000)
Financed purchase proceeds	59,900	-	-	-	-	59,900
<b>Total other financing sources (uses)</b>	<b>(230,100)</b>	<b>70,000</b>	<b>-</b>	<b>220,000</b>	<b>-</b>	<b>59,900</b>
<b>Net Change in Fund Balance</b>	<b>(349,342)</b>	<b>(25,155)</b>	<b>83,651</b>	<b>(98,412)</b>	<b>(5,067)</b>	<b>(394,325)</b>
<b>Fund Balance, Beginning of Year</b>	<b>2,918,162</b>	<b>203,194</b>	<b>333,052</b>	<b>358,110</b>	<b>163,298</b>	<b>3,975,816</b>
<b>Fund Balance, End of Year</b>	<b>\$ 2,568,820</b>	<b>\$ 178,039</b>	<b>\$ 416,703</b>	<b>\$ 259,698</b>	<b>\$ 158,231</b>	<b>\$ 3,581,491</b>

Northern Cass Public School District

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances  
to the Statement of Activities - Modified Cash Basis  
Year Ended June 30, 2024

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Net Change in Fund Balances - Total Governmental Funds	\$ (394,325)
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 cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	
	132,034
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. In the current period these amounts are:	
Debt issued	(59,900)
Principal retirement	287,105
	<u>227,205</u>
Change in Net Position of Governmental Activities	<u><u>\$ (35,086)</u></u>

**Note 1 - Summary of Significant Accounting Policies****Organization**

Northern Cass Public School District (the District) was formed and operates pursuant to the applicable North Dakota laws and statutes. The District is governed by a School Board elected by voters of the District. The financial statements of the District have been prepared on the modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**Reporting Entity**

The accompanying financial statements include all funds, departments, agencies, boards, commissions, and other organizations that comprise the District, along with any component units.

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial burden or benefit with the potential component unit, or is fiscally depended upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the District.

**Government-Wide Statements**

The statement of net position and statement of activities display information about the District as a whole. These statements include all the financial activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. The effect of interfund activity has been eliminated from the government-wide financial statements.

The statement of net position reports all financial and capital resources, in a net position form (assets minus liabilities equal net position). Net position is displayed in three components, as applicable, net investment in capital assets, restricted (distinguished between major categories of restrictions), and unrestricted.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported as general revenues.

**Fund Financial Statements**

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, displayed in a separate column.

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

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

The government-wide financial statements are reported using the economic resources measurement focus and the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred. This basis differs from accounting principles generally accepted in the United States of America because accounts receivable, accounts payable, and accrued expenses are not included in the financial statements. Only capital assets and long-term debt are recorded under the basis of accounting described above and are included on the statement of net position. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified cash basis of accounting. Under this method, revenues are recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred.

**Description of Funds**

The District reports the following major governmental funds:

General Fund - The general fund is the general operating fund of the District. All general revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund.

Food Service Fund - The food service fund is used to account for the activities of the hot lunch program.

Special Reserve Fund - This fund is used to account for the accumulation of resources from the special reserve levy. The special reserve is designed to provide cash flow to the District when general fund reserves are spent. This traditionally happens at the end of December, before the next year taxes are collected. If the special reserve is not needed for cash flow, there is a provision in the law that allows the School Board to transfer up to half of the balance to the general fund to be used for any allowable purpose. In accordance with NDCC 57-19-01, the ending fund balance is limited to the amount generated by fifteen (15) mills times the taxable valuation of the District.

Building Fund - The building fund is used to account for building construction and repairs.

Debt Service Fund - The debt service fund is used to account for the financial resources to be used for payment of long-term debt principal, interest, and related costs.

**Budgets**

The District budget is prepared on the modified cash basis of accounting and the District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent and Business Manager prepare the District budget under the cash basis of accounting. The budget includes proposed expenditures and the means of financing them. The budget includes the general fund.
2. The School Board reviews the budget, may make revisions and approves it on or before August 15. The budget must be filed with the County Auditor by August 25.
3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared except no amendment changing the taxes levied can be made after October 10.

For budgetary purposes, appropriations lapse at fiscal year-end.

**Program Revenues**

In the government-wide statement of activities, reported program revenues derive directly from the program itself or from parties other than the District's taxpayers or citizenry, as a whole. Program revenues are classified into two categories, as follows:

1. Charges for services - these arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions - these arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.

**Cash and Investments**

The District's cash consists of cash on hand or demand deposits. These amounts must be deposited in a financial institution situated and doing business within North Dakota.

The District's investments consist of certificates of deposits with maturity of 12 months or less and valued at cost.

**Capital Assets**

Capital assets are capitalized at historical cost or estimated historical cost for assets where actual historic cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would have been paid to acquire an asset with equivalent service potential on the date of the donation. The District maintains a threshold level of \$5,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Land and construction in progress are not depreciated. Useful lives vary as follows:

Permanent buildings	50 years
Temporary or wood structures	20 years
Equipment	10 years
Vehicles	10 years

### **Long-Term Liabilities**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds.

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.



**Pensions**

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 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 (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense are not reported under the modified cash basis of accounting, but the information disclosed in Note 5 - Pension Plans is included as additional information to the users of the financial statements.

**Postemployment Benefits Other than Pensions (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.

The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense are not reported under the modified cash basis of accounting, but the information disclosed in Note 6 - Other Postemployment Benefit (OPEB) is included as additional information to the users of the financial statements.

**Net Position**

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's government-wide 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 of 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.

**Fund Balance**

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." The District's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

Nonspendable Fund Balance - comprised of funds that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. They include items that are inherently unspendable, such as, but not limited to, inventories, prepaid items, long-term receivables, non-financial assets held for resale, or the permanent principal of endowment funds.

Restricted Fund Balance - comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance - comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the school board, the District's highest level of decision-making authority, and that remain binding unless removed by the school board by subsequent formal action. The District requires a majority vote by the school board to approve a commitment and a two-thirds majority vote to remove a commitment. The formal action to commit a fund balance must occur prior to fiscal year end; however, the specific amounts actually committed can be determined in the subsequent fiscal year. A committed fund balance cannot be a negative number.

Assigned Fund Balance - comprised of unrestricted funds constrained by the school district's intent that they be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. The superintendent or his/her designee (such as the business manager) has the authority to assign amounts to be used for specific purposes. In funds other than the general fund, the assigned fund balance represents the remaining amount that is not restricted or committed. The assigned fund balance category will cover the portion of a fund balance that reflects the school district's intended use of those resources. The action to assign fund balance may be taken after the end of the fiscal year. An assigned fund balance cannot be a negative number.

Unassigned Fund Balance - residual amounts in the general fund not reported in any other classification. Unassigned amounts in the general fund are technically available for expenditure for any purpose. The general fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

The order of spending and availability of the fund balance shall be to reduce funds from the listed areas in the following order: restricted, committed, assigned, and unassigned.

The District has not adopted a minimum fund balance policy.

## Note 2 - Cash and Investments

### Deposits

In accordance with North Dakota Statutes, the District maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

The following is considered the most significant risk associated with deposits.

*Custodial Credit Risk* - In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may be lost.

Deposits must either be deposited with the Bank of North Dakota or in another financial institution 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 of bonds.

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, 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.

The bank balance of the pooled District deposits at June 30, 2024 was \$3,707,504 and the carrying amount of the deposits was \$3,581,491. The bank balances were fully covered by a combination of Federal Depository Insurance and collateralization with securities held by the pledging financial institutions' agents in the government's name.

The following table presents the District's cash and investment balances at June 30, 2024:

Type	Fair Value	Investment Maturities (in Years)		
		N/A	< 1	1 - 5
Cash and Cash Equivalents				
Deposits	\$ 1,501,414	\$ 1,501,414	\$ -	\$ -
Money market	80,077	80,077	-	-
Investments				
Certificates of deposit	2,000,000	-	2,000,000	-
	<u>\$ 3,581,491</u>	<u>\$ 1,581,491</u>	<u>\$ 2,000,000</u>	<u>\$ -</u>

**Note 3 - Capital Assets**

The following is a summary of changes in capital assets for the year ended June 30, 2024:

	Balance July 1, 2023,	Additions	Deletions	Balance June 30, 2024
Capital Assets, Not Being Depreciated				
Land	\$ 80,000	\$ -	\$ -	\$ 80,000
Construction in progress	-	300,000	-	300,000
Total capital assets, not being depreciated	80,000	300,000	-	380,000
Capital Assets, Being Depreciated				
Buildings	17,985,110	241,843	-	18,226,953
Equipment	1,045,520	44,069	-	1,089,589
Vehicles	1,547,478	145,800	-	1,693,278
Total capital assets, being depreciated	20,578,108	431,712	-	21,009,820
Accumulated Depreciation				
Buildings	5,814,438	406,170	-	6,220,608
Equipment	603,566	56,309	-	659,875
Vehicles	969,378	137,199	-	1,106,577
Total accumulated depreciation	7,387,382	599,678	-	7,987,060
Governmental activities capital assets, net	<u>\$ 13,270,726</u>	<u>\$ 132,034</u>	<u>\$ -</u>	<u>\$ 13,402,760</u>

Depreciation expense for the year ended June 30, 2024 was charged to functions/programs of the District as follows:

Governmental Activities	
Operation and maintenance	\$ 462,479
Transportation services	137,199
Total depreciation expense - governmental activities	<u>\$ 599,678</u>

#### Note 4 - Long-Term Debt

The following is a summary of changes in long-term debt of the District for the year ended June 30, 2024:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	\$ 4,700,457	\$ -	\$ 287,105	\$ 4,413,352	\$ 289,359
Finance purchases payable	\$ -	\$ 59,900	\$ -	\$ 59,900	\$ 19,210

Details of the outstanding bonds payable as of June 30, 2024, is as follows:

Bond Description	Final	Interest Rate	Original	Outstanding Balance
G.O. School Building Bonds, Series 2013A	8/1/2033	1.75%	\$ 750,000	\$ 350,000
G.O. Refunding Bonds, Series 2013B	6/1/2033	1.30-3.00%	1,750,000	908,352
State Aid Refunding Certificates of Indebtedness, Series 2020	8/1/2040	1.20%-2.00%	3,640,000	3,155,000
				<u>\$ 4,413,352</u>

Bonds payable consists of various bond instruments issued by the District to finance operations and construction of new facilities. These expenditures are paid out of the Building and Debt Service funds.

The annual requirements to amortize bonds payable as of June 30, 2024, are as follows:

Years Ending June 30,	Bonds Payable	
	Principal	Interest
2025	\$ 289,359	\$ 86,430
2026	295,923	80,813
2027	297,514	75,119
2028	304,133	69,188
2029	315,780	63,019
2030-2034	1,500,643	227,024
2035-2039	985,000	111,445
2040-2041	425,000	19,100
	<u>\$ 4,413,352</u>	<u>\$ 732,138</u>

Financed purchases payable consists of direct borrowing financing agreements for the purchase of a school bus. Financed purchases payable of the governmental activities are paid by the general fund. The loan has an original amount of \$59,900 with an interest rate of 3.90%, and a maturity of November 2026.

The annual requirements to amortize financed purchases payable as of June 30, 2024, are as follows:

Years Ending June 30,	Finance Purchases Payable	
	Principal	Interest
2025	\$ 19,210	\$ 2,305
2026	19,959	1,554
2027	20,731	775
	<u>\$ 59,900</u>	<u>\$ 4,634</u>

During the year, the District entered into a direct borrowing capital lease agreement to finance the purchase of a school bus. The agreement contains a provision that allows for repossession of the bus in the event of District default. The lease bears an interest rate of 3.90% and calls for annual payments of principal and interest commencing November 2024.

At June 30, 2024, the total cost of the assets under direct borrowing capital leases was \$59,900 with accumulated depreciation of \$3,744. Capital lease principal and interest payments are made by the general fund.

## **Note 5 - Pension Plans**

### ***North Dakota Public Employees Retirement System (Main System)***

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

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

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

**Pension Benefits**

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

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

**Death and Disability Benefits**

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

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

**Refunds of Member Account Balance**

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

**Member and Employer Contributions**

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

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

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

**Pension Contributions**

During the year ended June 30, 2024, the District made employer cash contributions for the pension plans totaling \$93,595.

***North Dakota Teachers' 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. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

### **Pension Contributions**

During the year ended June 30, 2024, the District made employer cash contributions for the pension plans totaling \$522,562.

**Note 6 - Other Post-Employment Benefits (OPEB)*****North Dakota Public Employees Retirement System***

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

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

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members.

The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

**OPEB Benefits**

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as 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.

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 Contributions

During the year ended June 30, 2024, the District made employer cash contributions for the OPEB plan totaling \$5,795.

### Note 7 - Interfund Transfers

The District transfers funds to cover operating deficits and to support general operations of the District. A summary of the District's interfund transfers as of June 30, 2024 are as follows:

	Transfer In	Transfer Out
General fund	\$ -	\$ 290,000
Food service fund	70,000	-
Building fund	220,000	-
	<u>\$ 290,000</u>	<u>\$ 290,000</u>
Total transfers	<u>\$ 290,000</u>	<u>\$ 290,000</u>

### Note 8 - Risk Management

The District is exposed to various risks of loss relating to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries insurance through the following funds/pools established by the State:

In 1986 state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The District pays an annual premium to NDIRF for its general liability, auto and public asset insurance coverage. The coverage by NDIRF is limited to losses of one million dollars per occurrence. There is no additional liability for the District related to the risk pool as of June 30, 2024.

The District also participates in the North Dakota Fire and Tornado Fund and State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The State Bonding fund provides political subdivisions with blanket employee fidelity bond coverage in the amount of \$2,000,000. The State Bonding Fund does not currently charge any premium for this coverage.

The District participates in the North Dakota Workforce Safety and Insurance Fund, an Enterprise Fund of the State of North Dakota. The Fund is a state insurance fund and a “no fault” insurance system covering the State’s employers and employees financed by premiums assessed to the employers. The premiums are available for the payment of claims to employees injured in the course of employment.

There have been no significant reductions in insurance coverage from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**Note 9 - Construction Commitment**

As of June 30, 2024, the District had an ongoing construction project for the building of a clinic and community wellness center, with estimated total costs of approximately \$10,038,895. As of June 30, 2024, the District has incurred costs of \$300,000. There is no estimated completion date for the building project yet as project is still in the planning phase.



Supplementary Information  
June 30, 2024

**Northern Cass Public School District**

Northern Cass Public School District  
Budgetary Comparison Schedule - General Fund  
Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property taxes	\$ 2,233,843	\$ 2,233,843	\$ 2,326,641	\$ 92,798
Other local sources	993,500	993,500	1,021,105	27,605
State sources	6,706,141	6,834,145	6,928,396	94,251
Federal sources	495,913	561,757	509,004	(52,753)
Total revenues	10,429,397	10,623,245	10,785,146	161,901
Expenditures				
Current				
Instruction	5,764,836	5,753,329	5,845,851	(92,522)
Support services				
Student	245,164	245,164	243,454	1,710
Instructional	401,521	408,364	400,358	8,006
Administration services	1,061,763	1,063,705	1,031,786	31,919
Operations and maintenance	636,484	636,484	639,825	(3,341)
Transportation services	608,700	608,700	594,495	14,205
Preschool	227,795	227,795	242,029	(14,234)
Extracurriculars	1,130,805	1,130,805	1,550,153	(419,348)
Capital outlay	213,486	213,486	356,437	(142,951)
Total expenditures	10,290,554	10,287,832	10,904,388	(616,556)
Excess (deficiency) of revenues over (under) expenditures	138,843	335,413	(119,242)	(454,655)
Other Financing Sources (Uses)				
Transfers out	(290,000)	(290,000)	(290,000)	-
Lease proceeds	-	-	59,900	59,900
Total other financing sources (uses)	(290,000)	(290,000)	(230,100)	59,900
Net Change in Fund Balance	\$ (151,157)	\$ 45,413	(349,342)	\$ (394,755)
Fund Balance, Beginning of Year			2,918,162	
Fund Balance, End of Year			\$ 2,568,820	



Additional Reports  
June 30, 2024

## Northern Cass Public School District





**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***

To the School Board  
Northern Cass Public School District  
Hunter, 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 (*Government Auditing Standards*), the modified cash basis financial statements of the governmental activities and each major fund of Northern Cass Public School District ("the District"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 6, 2024.

In our report we added an Emphasis of Matter paragraph to draw attention to the modified cash basis of accounting used to prepare the financial statements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

**Report on Internal Control over Financial Reporting**

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

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

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 have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings as items 2024-001 and 2024-002 that we consider to be material weaknesses.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "Erik Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota  
November 6, 2024

**2024-001      Segregation of Duties  
Material Weakness**

*Criteria* - A good system of internal control requires an adequate segregation of duties so that no one individual has incompatible responsibilities. No one person should have more than one duty relating to the authorization (approval), custody of assets (check signers), record keeping, and reconciliation functions.

*Condition* - The District does not have enough staff to adequately separate duties in cash receipts, cash disbursements, accounts payable and purchasing, payroll and related liabilities, and general ledger maintenance and reconciliation.

*Cause* - There is a limited amount of office employees involved in the internal control process.

*Effect* - Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

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

*View of Responsible Officials* - There is no disagreement with the audit finding.

**2024-002      Preparation of Financial Statements  
Material Weakness**

*Criteria* - A good system of internal accounting control contemplates an adequate system for internally preparing the District's financial statements.

*Condition* - The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. The auditors were requested to, and did, draft the financial statements and accompanying notes to the financial statements.

*Cause* - The District does not have an internal control system designed to provide for the preparation of the financial statements being audited.

*Effect* - The disclosures in the financial statements could be incomplete.

*Recommendation* - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

*View of Responsible Officials* - There is no disagreement with the audit finding.