

**SOLEN PUBLIC SCHOOL DISTRICT NO. 3
SOLEN, NORTH DAKOTA**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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SOLEN PUBLIC SCHOOL DISTRICT NO. 3

ROSTER OF SCHOOL OFFICIALS

JUNE 30, 2024

Pete Red Tomahawk	President
Shannon Thunderhawk	Vice President
Maxine Thunder Hawk	Board Member
Neva White Lightning	Board Member
Greta Conica	Board Member
Regina Conica	Board Member
Cari Kramer	Superintendent
David Drapeaux	Business Manager

INDEPENDENT AUDITOR'S REPORT

To the School Board
Solen Public School District No. 3
Solen, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Solen Public School District No. 3 as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Solen Public School District No. 3's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Solen Public School District No. 3, as of June 30, 2024, and the respective changes in financial position 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 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 Solen Public School District No. 3 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 Principle

As described in Note 2 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 100 *Accounting Changes and Error Corrections*. 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 District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards* we:

- Exercise professional judgement 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 judgement, 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.

Required Supplementary Information

Management has omitted management's discussion and analysis, budgetary comparison schedules, and required prior years information for pensions and other post benefit plans that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedule of employer's proportionate share of net pension liability, schedule of employer's share of net OPEB liability, schedules of employer's contributions - pensions, schedule of employer's contributions - OPEB, and notes to the required supplementary information, as listed on the table of contents, 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.

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 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* is presented for purposes of additional analysis and is not a required part of the 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 information 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 roster of school 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2025 on our consideration of Solen Public School District No. 3'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 Solen Public School District No. 3'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 Solen Public School District No. 3's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA**

January 6, 2025

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
STATEMENT OF NET POSITION
JUNE 30, 2024

ASSETS

Current assets

Cash	\$ 2,367,074
Investments	999,969
Accounts receivable	26,287
Due from other governments	685,072
Taxes receivable	3,279
Due from county treasurer	4,663
Prepaid items	16,641

Total current assets	4,102,985
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Non-current assets

Non-depreciable capital assets	238,000
Capital assets, net of depreciation and amortization	7,641,458

Total capital assets	7,879,458
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TOTAL ASSETS	11,982,443
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DEFERRED OUTFLOWS OF RESOURCES

Cost sharing defined benefits - pension	1,589,743
Cost sharing defined benefits - OPEB	18,365

TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,608,108
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LIABILITIES

Current liabilities

Accounts payable	9,031
Accrued salaries	229,192
Benefits payable	91,108
Interest payable	4,541
Long-term liabilities due within one year	
Compensated absences payable	43,979
Lease liability	12,110
Bonds payable	58,366

Total current liabilities	448,327
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Long-term liabilities

Long-term liabilities due after one year	
Net pension liability	4,315,624
Net OPEB liability	35,562
Bonds payable	121,592

Total long-term liabilities	4,472,778
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TOTAL LIABILITIES	4,921,105
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DEFERRED INFLOWS OF RESOURCES

Cost sharing defined benefits - pension	1,285,590
Cost sharing defined benefits - OPEB	10,755

TOTAL DEFERRED INFLOWS OF RESOURCES	1,296,345
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NET POSITION

Net investment in capital assets	7,687,390
Unrestricted	(314,289)

TOTAL NET POSITION	\$ 7,373,101
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See Notes to the Financial Statements

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

Functions/Programs	Expenses	Program Revenues		Net
		Operating Grants and Contributions	Capital Grants and Contributions	(Expense) Revenue and Changes in Net Position Governmental Activities
GOVERNMENTAL ACTIVITIES				
Regular instruction	\$ 2,679,754	\$ 3,947,975	\$ -	\$ 1,268,221
Special education	204,693	-	-	(204,693)
District Wide Services	849,982	-	-	(849,982)
Administration	275,887	-	-	(275,887)
Food service	447,003	202,884	-	(244,119)
Operations and maintenance	996,923	-	-	(996,923)
Student transportation	453,838	-	-	(453,838)
Co-curricular activities	157,852	-	-	(157,852)
Interest	5,173	-	-	(5,173)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 6,071,105</u>	<u>\$ 4,150,859</u>	<u>\$ -</u>	(1,920,246)
GENERAL REVENUES				
	Property Taxes			183,156
	Unrestricted State Aid			2,954,102
	Investment Earnings			12,639
	Miscellaneous Revenue			82,482
TOTAL GENERAL REVENUES				<u>3,232,379</u>
Change in Net Position				1,312,133
Net Position - Beginning, as Previously Reported				5,626,971
Correction of Error - See Note 11				433,997
Net Position, Beginning of Year, Restated				<u>6,060,968</u>
Net Position - Ending				\$ 7,373,101

See Notes to the Financial Statements

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2024

	General Fund
ASSETS	
Cash	\$ 2,367,074
Investments	999,969
Accounts receivable	26,287
Due from other governments	685,072
Taxes receivable	3,279
Due from county treasurer	4,663
Prepaid items	16,641
TOTAL ASSETS	<u>\$ 4,102,985</u>
LIABILITIES	
Accounts payable	\$ 9,031
Benefits payable	91,108
Accrued salaries	229,192
TOTAL LIABILITIES	<u>329,331</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - delinquent taxes	<u>3,279</u>
FUND BALANCES	
Nonspendable	16,641
Unassigned	3,753,734
TOTAL FUND BALANCES	<u>3,770,375</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>\$ 4,102,985</u></u>

See Notes to the Financial Statements

SOLE PUBLIC SCHOOL DISTRICT NO. 3
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2024

Total fund balance, governmental funds	\$	3,770,375
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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 this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Capital assets, net of depreciation and amortization		7,879,458
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Property taxes receivable will be collected during the year, but are not available soon enough to pay for the current period's expenditures, and, therefore are unavailable in the governmental funds.

		3,279
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Net deferred outflows/(inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities that are not financial resources, and therefore are not reported as deferred outflows/(inflows) of resources in the governmental funds.

Cost sharing defined benefit plan deferred inflow - pension		(1,285,590)
Cost sharing defined benefit plan deferred outflow- pension		1,589,743
Cost sharing defined benefit plan deferred inflow - OPEB		(10,755)
Cost sharing defined benefit plan deferred outflow- OPEB		18,365

Certain short-term liabilities are not recognized as an expenditure in the governmental funds until they are due. All liabilities both current and long-term are reported in the Statement of Net Position.

		(43,979)
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Certain long-term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Net pension liability		(4,315,624)
Net OPEB liability		(35,562)
Lease payable		(12,110)
Bonds payable		(179,958)
Interest payable		(4,541)

Net position of governmental activities in the Statement of Net Position	\$	<u>7,373,101</u>
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See Notes to the Financial Statements

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	General Fund
REVENUES	
Local sources	\$ 271,065
State sources	2,954,102
Federal sources	4,150,859
Other sources	12,639
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TOTAL REVENUES	7,388,665
	<hr/>
EXPENDITURES	
Current:	
Regular instruction	2,521,329
Special education	202,367
Administration	254,683
Food service	445,450
Operations and maintenance	1,063,164
Student transportation	378,332
Student support services	91,111
Business support services	246,618
Other support services	6,528
Administration support services	467,291
Instructional staff support services	2,880
Co-curricular activities	142,497
Tuition	22,176
Debt service:	
Principal retirement	73,762
Interest	6,611
Capital outlay	445,130
	<hr/>
TOTAL EXPENDITURES	6,369,929
	<hr/>
Excess of revenues over (under) expenditures	1,018,736
	<hr/>
Net change in fund balances	1,018,736
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Fund balances - beginning of year	2,751,639
	<hr/>
Fund balances - ending	\$ 3,770,375
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See Notes to the Financial Statements

SOLE PUBLIC SCHOOL DISTRICT NO. 3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

Net change in fund balances - total governmental funds: \$ 1,018,736

Amounts reported for governmental activities in the Statement of Activities are 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 as depreciation expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.

Capital asset additions	\$ 445,130	
Current year depreciation and amortization	(229,180)	
Total		215,950

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. This amount is the net change in property taxes receivable. (5,426)

Governmental funds do not present expenses that are not current obligations. In contrast, such revenues are reported in the Statement of Activities when incurred. This amount is the net change in accounts payable. 81,831

Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position. 73,762

Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Net change in accrued interest	1,439
Net change in compensated absences and early retirement obligations	(3,935)
Net change in net pension liability	742,693
Net change in OPEB liability	5,921

Changes in cost sharing defined benefit plan relating to net pension liability	(190,140)
Changes in cost sharing defined benefit plan relating to net pension liability	(620,955)
Changes in cost sharing defined benefit plan relating to OPEB liability	(432)
Changes in cost sharing defined benefit plan relating to OPEB liability	(7,311)

Change in net position of governmental activities \$ 1,312,133

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Principal Activity

The Solen Public School District No. 3 (District) operates the elementary school in the city of Cannonball, North Dakota and the high school in the city of Solen, North Dakota.

Reporting Entity

The accompanying financial statements present the activities of the District. The District has considered all potential component units for which the District is financially accountable and other organizations for which the nature and significance of their relationships with the District such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the District.

Based on these criteria, there are no component units to be included within the Solen Public School District No. 3 as a reporting entity.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Solen Public School District No. 3 have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Basis of Presentation

Government-wide statements:

The statement of net position and the statement of activities display information about the School District. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, interest, and non-restricted grants and contributions, are presented as general revenues.

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

Fund Financial Statements:

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

The School District reports the following major governmental funds:

General Fund - This is the School District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Measurement Focus and Basis of Accounting

Measurement Focus

Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the District are included in the Statement of Net Position.

Fund Financial Statements:

The governmental funds are accounted for using a flow of current financial resources measurement focus. Under this measurement focus, only current assets, current liabilities, and current deferred inflows/outflows of resources are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance reports on the sources and uses of current financial resources.

The current financial resources measurement focus differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Due to the difference, the District's financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds.

Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

Government-wide financial statements are prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The District's governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

the end of its fiscal year. Expenditures are generally recorded as the related fund liability is incurred.

Cash and Cash Equivalents

Cash includes amounts in demand deposits and money market accounts.

Investments

Investments consist entirely of certificates of deposit with maturity dates greater than 3 months.

Accounts Receivable

Accounts receivable consists mainly of amounts on open account from other school districts and organizations for goods and services furnished by the District. Management has deemed all receivables to be collectible; therefore, no allowance for doubtful accounts has been set up.

Due from Other Governments

Intergovernmental receivables consist of reimbursements due for expenses in the operation of various school programs and other credits from the State. These amounts consist of a mix of State and Federal dollars.

Due from County Treasurer

The amount due from the county treasurer consist of cash on hand for taxes collected but not remitted to the District on June 30.

Capital Assets

Capital assets include plant and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School 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 acquisition 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 assets 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 (in years):

Buildings	50-100 years
Vehicles	5-15 years
Equipment	5-15 years

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

Compensated Absences

Vested or accumulated vacation leave is reported in government-wide statements of net position. Compensation for unused vacation leave will be granted to all licensed teachers. Teachers will be able to carry forward six personal days. Compensation for unused sick leave will be granted to all licensed teachers. Teachers will be able to carry forward sixty sick leave days.

Leases

The determination of whether an arrangement contains a lease is made at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the District has control of the right to use asset. Control includes the right to obtain present service capacity and the right to determine the nature and manner of use of the underlying asset, as specified in the contract.

Leases with an initial lease term of more than 12 months, or that contain an option to purchase that the District is reasonably certain to exercise, are recognized based on the present value of lease payments over the lease term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the District uses its incremental borrowing rate based on the information available at the lease commencement date. The District has made an accounting policy election to use a risk free rate based on US Treasury T-bill rate as of the lease commencement. The District accounts for lease agreements with lease and non-lease components together as a single lease component for all underlying classes of assets.

The District continues to record rent expense for short term leases on a straight-line basis over the lease term. Short term leases have a term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the District is reasonably certain to exercise.

The depreciable life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

The District's lease agreements do not include any material residual value guarantees or restrictive covenants.

Long-Term Obligations

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

In the fund financial statements, the face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs are reported as debt service expenditures.

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

Net Position

Net position represents the difference between assets, deferred inflows of resources, deferred outflows of resources, and liabilities. Net investment in capital assets consists of the remaining undepreciated cost of the asset less the outstanding debt, net of unamortized discounts, associated with the purchase or construction of the related asset. Net position is reported as restricted when external creditors, grantors, or other governmental organizations impose specific restrictions on the District. External restrictions may be imposed through state or local laws, and grant or contract provisions.

Net Position Flow Assumption

Sometimes, the government will fund outlays for particular purposes for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items reported on the statement of net position as cost sharing defined benefits – pensions, and cost sharing defined benefits – OPEB, which represents the actuarial differences within the NDPERS and TFFR pension plans, and NDPER OPEB plan, as well as amounts paid to the plans after the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items which qualify for reporting in this category. One of the items, unavailable revenue – delinquent taxes, is reported only in the governmental funds balance sheet. This amount, which is from delinquent property taxes, is deferred and recognized as an inflow of resources in the period that the amount becomes available. The other items are reported on the statement of net position as cost sharing defined benefits – pension, and cost sharing defined benefits – OPEB, which represents the actuarial differences within the NDPERS, TFFR pension plans and NDPERS OPEB Plan.

Unavailable Revenue - Delinquent Taxes

Receivables, such as taxes receivable, may be measurable but not available. Available means collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported delinquent taxes are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

Fund Balance Classifications

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid expenses; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the school board-the District's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the school board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification reflects the amounts constrained by the District's "intent" to be used for specific purposes but are neither restricted nor committed. The school board and superintendent have the authority to assign amounts to be used for specific purposes.

Unassigned – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the District's preference is to first use restricted resources, then unrestricted resources - committed, assigned, and unassigned - in order as needed.

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 Teachers' Fund for Retirement (TFFR) and additions to/deductions from NDPERS' and TFFR's fiduciary net position have been determined on the same basis as they are reported by NDPERS and 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.

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

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

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.

Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenues - Exchange and Non-Exchange Transactions

Exchange transactions are transactions in which each party gives and receives essentially equal value. Under the accrual basis of accounting, revenue for exchange transactions is recorded when the exchange takes place. Under the modified accrual basis of accounting, revenue for exchange transactions is recorded when the resources are measurable and available.

Non-exchange transactions include transactions in which the District receives value without directly providing value in return. Non-exchange transactions include property taxes, grants, entitlements, and donations.

Under the accrual basis of accounting, property taxes are recorded as revenue in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recorded in the fiscal year in which all eligibility requirements have been satisfied. Under the modified accrual basis of accounting, revenue from non-exchange transactions must also be available before it is recorded in the financial records of the District.

Revenue Recognition - Property Taxes

As of June 30, 2024, taxes receivable consists of current and delinquent uncollected taxes for the past five years. Property taxes attach as an enforceable lien on property January 1. A five percent reduction is allowed if paid by February 15. Penalty and interest are added March 15 if the first half of the taxes has not been paid. Additional penalties are added October 15, if not paid. Taxes are collected by the county and usually remitted monthly to the District.

Property tax revenue in the governmental funds is recognized in compliance with National Council of Government Accounting (NCGA) Interpretation 3, "Revenue Recognition – Property Taxes". This interpretation states that property tax revenue is recorded when it becomes available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Property tax revenue is recorded as revenue in the year the tax is levied in the government – wide financial statements. Property taxes are limited by state laws. All district tax levies are in compliance with state laws.

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

Change in Accounting Principle

The District implemented GASB Statement No. 100, *Accounting Changes and Error Corrections*, during the year ended June 30, 2024. GASB Statement No. 100 enhances the accounting and financial reporting requirements for accounting changes and error corrections.

NOTE 3 DEPOSITS AND INVESTMENTS

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.

Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

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

Custodial Credit Risk

Custodial credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution's failure, the School District would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The School District does not have a formal policy regarding deposits that limits the amount it may invest in any one issuer.

At year ended June 30, 2024, the School District's carrying amount of deposits totaled \$3,367,043, and the bank balances totaled \$3,503,194. The difference results from checks outstanding or deposits not yet processed. There were no amounts subject to custodial credit risk. As of June 30, 2024, all of the District's deposits were covered by either FDIC insurance or pledged securities held in the District's name.

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

NOTE 4 CAPITAL ASSETS

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

	Balance 7/1/2023 (Restated)	Additions	Disposals	Balance 6/30/2024
Governmental Activities				
Capital Assets Not Being Depreciated				
Construction in Progress	\$ -	\$ 238,000	\$ -	\$ 238,000
Capital Assets Being Depreciated				
Buildings	7,430,659	-	-	7,430,659
Equipment	180,991	72,530	-	253,521
Vehicles	968,521	134,600	-	1,103,121
Right-to-Use Lease Equipment	62,768	-	-	62,768
Total	<u>8,642,939</u>	<u>207,130</u>	<u>-</u>	<u>8,850,069</u>
Less Accumulated Depreciation / Amortization				
Buildings	370,627	102,410	-	473,037
Equipment	105,167	24,933	-	130,100
Vehicles	469,810	84,924	-	554,734
Right-to-Use Lease Equipment	33,826	16,913	-	50,739
Total	<u>979,430</u>	<u>229,180</u>	<u>-</u>	<u>1,208,610</u>
Net Capital and Leased Assets Being Depreciated / Amortized	<u>7,663,509</u>	<u>(22,050)</u>	<u>-</u>	<u>7,641,459</u>
Net Capital and Leased Assets for Governmental Activities	<u>\$ 7,663,509</u>	<u>\$ 215,950</u>	<u>\$ -</u>	<u>\$ 7,879,459</u>

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

Regular Instruction	\$ 105,581
Administration	20,413
Operations and Maintenance	13,597
Student Transportation	73,164
Special Education	2,188
Co-Curricular	14,237
Total Depreciation Expense	<u>\$ 229,180</u>

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

Leases

The School District leases four copier machines. The terms of the leases range from 44 to 45 months, commencing on July 1, 2021 and terminating at various dates until March 1, 2025 with annual rent payments ranging from \$1,654 to \$7,482.

The following is the total lease expense for the year ended June 30, 2024:

Lease expense	
Amortization expense by class of underlying asset	
Copy Machine	\$ 16,913
Total amortization expense	16,913
Interest on lease liabilities	93
Total	<u>\$ 17,006</u>

NOTE 5 LONG-TERM LIABILITIES

During the year ended June 30, 2024, the following changes occurred in governmental activities long-term liabilities:

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024	Due Within One Year
Compensated absences	\$ 40,044	\$ 3,935	\$ -	\$ 43,979	\$ 43,979
Lease liability	29,067	-	(16,957)	12,110	12,110
Certificate of indebtedness	236,763	-	(56,805)	179,958	58,366
	<u>\$ 305,874</u>	<u>\$ 3,935</u>	<u>\$ (73,762)</u>	<u>\$ 236,047</u>	<u>\$ 114,455</u>

The obligation of the Certificate of Indebtedness is as follows:

\$400,000 Certificate of Indebtedness Series 2019, due in annual installments of \$63,315 through August 1, 2026, interest at 2.75%.

\$ 179,958

Debt service requirements on long-term debt at June 30, 2024 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2025	\$ 58,366	\$ 4,949	\$ 63,315
2026	59,972	3,344	63,316
2027	61,620	1,695	63,315
	<u>\$ 179,958</u>	<u>\$ 9,988</u>	<u>\$ 189,946</u>

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

The following is a schedule by years of future minimum rental payments required under the leases:

Fiscal Year Ending June 30,	Principal	Interest	Total Payments
2025	\$ 12,110	\$ 23	\$ 12,133
Total	<u>\$ 12,110</u>	<u>\$ 23</u>	<u>\$ 12,133</u>

NOTE 6 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.

SOLE PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

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.

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

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

At June 30, 2024, the Employer reported a liability of \$3,295,791 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2023, the Employer's proportion was 0.23485833 percent, which was an increase of 0.00049955 from its proportion measured as of June 30, 2022.

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

For the year ended June 30, 2024, the Employer recognized pension expense of \$261,517. At June 30, 2024 the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 12,281	\$ (174,941)
Changes of assumptions	52,152	-
Net difference between projected and actual earnings on pension plan investments	201,155	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	385,200	(259,611)
Employer contributions subsequent to the measurement date	<u>225,160</u>	<u>-</u>
Total	<u>\$ 875,948</u>	<u>\$ (434,552)</u>

\$225,160 reported as deferred outflows of resources related to the pensions resulting from the Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025.

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

Year ending June 30:

2025	\$ (30,098)
2026	(50,184)
2027	190,097
2028	53,641
2029	53,941
Thereafter	(1,161)

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

Actuarial Assumptions

The total pension liability in the July 1, 2023 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	Composed of 3.80% wage inflations, plus step rate promotional increases for members with less than 30 years of service
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, 2023, 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.

SOLE PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

Best estimates of arithmetic real rates of return for each major asset class included in the TFFR target asset allocation as of June 30, 2023, is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	55%	6.20%
Global Fixed Income	26%	3.00%
Global Real Assets	18%	4.40%
Cash Equivalents	1%	0.90%

Discount Rate

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at rates equal to those based on the July 1, 2023, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, TFFR's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members as of June 30, 2023. Therefore, the long-term expected rate of return on TFFR investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2023.

Sensitivity of the Employer'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, 2023, 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%
Employer's proportionate share of the net pension liability	\$ 4,588,669	\$ 3,295,791	\$ 2,222,915

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR report. TFFR's Annual Comprehensive Financial Report (ACFR) is located at <https://www.rio.nd.gov/sites/www/files/documents/PDFs/RIO/Reports/annualreport2023.pdf>.

NOTE 7 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

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. The plan provides retirement, disability, and death 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 eleven members. The Governor is responsible for appointing three other members in addition to the Chairman of the Board. Four members are appointed by legislative management, and the remaining three Board members are elected from active employees currently contributing to PERS.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members 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. The Main Plan will be closed to new employees with the passage of North Dakota House Bill 1040. The closure of the plan will be effective on January 1, 2025.

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.

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

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, 2024, the Employer reported a liability of \$1,019,833 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2023, the Employer's proportion was 0.052889 percent, which was a decrease of 0.004260 from its proportion measured as of June 30, 2022.

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

For the year ended June 30, 2024, the Employer recognized pension expense of \$95,018. At June 30, 2024, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 33,199	\$ (5,624)
Changes of assumptions	562,348	(774,079)
Net difference between projected and actual earnings on pension plan investments	26,759	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	28,294	(71,335)
Employer contributions subsequent to the measurement date	<u>63,195</u>	<u>-</u>
Total	<u><u>\$ 713,795</u></u>	<u><u>\$ (851,038)</u></u>

\$63,195 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025.

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

Year ending June 30:

2025	\$ 2,111
2026	(131,416)
2027	(2,828)
2028	(68,305)

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

Actuarial Assumptions

The total pension liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	6.50%, 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	31%	6.25%
International Equity	20%	6.95%
Private Equity	7%	9.45%
Domestic Fixed Income	23%	2.51%
Global Real Assets	19%	4.33%

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

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

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 as of June 30, 2023 is 6.50%; the municipal bond rate is 3.86%; and the resulting Single Discount Rate is 6.50%.

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

The following presents the Employer's proportionate share of the net pension liability as of June 30, 2024 calculated using the discount rate of 6.50 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Employer's proportionate share of the net pension liability	\$ 1,406,105	\$ 1,019,833	\$ 699,391

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 8 OTHER POST EMPLOYMENT BENEFITS

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.

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

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

At June 30, 2024, the Employer reported a liability of \$35,562 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2023, the Employer's proportion was 0.035571 percent, which was an increase of 0.001011 from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the Employer recognized OPEB expense of \$5,944. At June 30, 2024, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 669	\$ (407)
Changes of assumptions	7,585	(2,945)
Net difference between projected and actual earnings on OPEB plan investments	2,569	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,381	(7,403)
Employer contributions subsequent to the measurement date	4,161	-
Total	<u>\$ 18,365</u>	<u>\$ (10,755)</u>

\$4,161 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025.

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

Year ending June 30:

2025	\$ 1,782
2026	1,009
2027	1,528
2028	(870)

Actuarial Assumptions

The total OPEB liability in the July 1, 2023 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

SOLE PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

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, 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
S&P 500 Index	33%	5.50%
US Small Cap Equity	6%	7.65%
World Equity ex-US	26%	6.82%
US High Yield	3%	5.32%
Emerging Markets Debt	4%	6.25%
Core Fixed Income	28%	4.04%

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 rates described in this report. 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.

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

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

The following presents the net OPEB liability of the Plans as of June 30, 2023, calculated using the discount rate of 5.75%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

	1% Decrease 4.75%	Current Discount Rate 5.75%	1% Increase 6.75%
Employer's proportionate share of the net OPEB liability	\$ 46,737	\$ 35,562	\$ 26,154

NOTE 9 RISK MANAGEMENT

The Solen Public School District No. 3 is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters.

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

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

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.

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

NOTE 10 CONTINGENCIES

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with items and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. The District's management believes it has complied with all applicable grant provisions. In the opinion of management, any possible disallowed claim would not have a material effect on the overall financial position of the District as of June 30, 2024.

NOTE 11 CORRECTION OF ERROR

The District recorded an error correction to the June 30, 2023 financial statements to capitalize capital assets that were missed in the prior year. This increased beginning capital assets by \$515,828 beginning accounts payable by \$81,831 and net position by \$433,997 for the year ended June 30, 2024.

NOTE 12 COMMITMENTS

In May of 2024, the District entered into a commitment to purchase 4 mobile homes totaling \$476,000. As of June 30, 2024, half of the mobile homes have been purchased, but none delivered.

NOTE 13 FUTURE ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences through aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The statement is effective for fiscal years beginning after December 15, 2023.

GASB Statement No. 102, *Certain Risk Disclosures*, requires entities to disclose critical information about their exposure to risks due to certain concentrations or limitations that could lead to financial distress or operational challenges. This statement is effective for fiscal years beginning after June 15, 2024.

GASB Statement No. 103, *Financial Reporting Model Improvements*, revises the requirements for management's discussion and analysis with the goal of making it more readable and understandable, requires unusual or infrequent items to be presented separately, defines operating and nonoperating revenues, includes a new section for noncapital subsidies for proprietary funds' statement of revenues, expenses and changes in net position, removes the option to disclose major component information in the notes and requires them to be shown individually or in combine financial statements following the fund financial statements and requires budgetary comparisons to be presented as RSI with new columns for variances between original-to-final budget and final budget-to-actual results. This statement is effective for fiscal years beginning after June 15, 2025.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note. These items

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

include disclosing separately lease assets, intangible right-to-use assets, subscription assets and intangible assets. In addition, additional disclosures will be required for capital assets held for sale. This statement is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

Management has not yet determined what effect these statements will have on the District's financial statements.

NOTE 14 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through January 6, 2025, which is the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF EMPLOYER'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered- employee payroll	Employer's 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
2024	0.234858%	\$ 3,295,791	\$ 1,884,533	174.89%	69.34%
2023	0.234359%	3,412,388	1,846,494	184.80%	67.50%
2022	0.215444%	2,270,039	1,660,427	136.71%	78.26%

NORTH DAKOTA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered- employee payroll	Employer's 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
2024	0.05289%	\$ 1,019,833	\$ 649,185	157.09%	65.31%
2023	0.05715%	1,645,929	571,753	287.87%	54.47%
2022	0.05613%	585,043	635,606	92.04%	78.26%

* Complete data for these schedules is not available prior to 2022.

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
LAST 10 FISCAL YEARS*

	Employer's proportion of the net OPEB liability (asset)	Employer's proportionate share of the net OPEB liability (asset)	Employer's covered- employee payroll	Employer's 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
2024	0.035571%	\$ 35,562	\$ 357,554	9.95%	62.74%
2023	0.034560%	41,483	392,158	10.58%	56.28%
2022	0.053554%	29,785	583,873	5.10%	76.63%

* Complete data for these schedules is not available prior to 2022.

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF EMPLOYER CONTRIBUTIONS - PENSION
LAST 10 FISCAL YEARS*

NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered- employee payroll	Contributions as a percentage of covered-employee payroll
2024	\$ 225,160	\$ (225,160)	\$ -	\$ 1,765,958	12.75%
2023	240,278	(240,278)	-	1,884,533	12.75%
2022	235,428	(235,428)	-	1,846,494	12.75%

NORTH DAKOTA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered- employee payroll	Contributions as a percentage of covered-employee payroll
2024	\$ 63,195	\$ (63,195)	\$ -	\$ 764,126	8.27%
2023	49,185	(49,185)	-	649,185	7.58%
2022	42,756	(42,756)	-	571,753	7.48%

* Complete data for these schedules is not available prior to 2022.

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered- employee payroll	Contributions as a percentage of covered-employee payroll
2024	\$ 4,161	\$ (4,161)	\$ -	\$ 364,950	1.14%
2023	4,438	(4,438)	-	389,290	1.14%
2022	4,471	(4,471)	-	392,158	1.14%

* Complete data for these schedules is not available prior to 2022.

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2024

NOTE 1 CHANGES OF ASSUMPTIONS

TFFR Pension Plan

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.

NDPERS Pension Plan

All 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. There have been no changes in actuarial assumptions since the previous actuarial valuation as of July 1, 2022.

NDPERS OPEB

All 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. There have been no changes in actuarial assumptions since the previous actuarial valuation as of July 1, 2022.

SOLENS PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
JUNE 30, 2024

NOTE 2 CHANGES OF BENEFIT TERMS

NDPERS Pension Plan

In 2023, House Bill 1040 was passed, which closes the Main System to employees newly enrolled into the system on January 1, 2025 and later. The state employer contribution for 2026 and later was changed to be the amount sufficient to fund the Main System on actuarial basis, with the amortization of the unfunded liability determined on a level percent of payroll basis over a closed period beginning on January 1, 2026 and ending June 30, 2056.

NDPERS OPEB

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, 2022.

SUPPLEMENTARY INFORMATION

SOLE PUBLIC SCHOOL DISTRICT NO. 3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal AL Number	Pass- Through Number	Expenditures
U.S. DEPARTMENT OF EDUCATION			
Direct Awards:			
Indian Education Grants to Local Educational Associations	84.060A		\$ 49,698
Impact Aid	84.041		2,023,966
Passed through North Dakota Department of Public Instruction:			
Title I - Grants to Local Educational Agencies	84.010	F84010	467,516
Rural Education	84.358B	F84358B	6,231
Supporting Effective Instruction State Grants	84.367	F84367	40,923
Student Support and Academic Enrichment Program	84.424	F84424A	37,416
Passed through Central Regional Education Association:			
Twenty-first Century Community Learning Centers	84.287	84.287C	23,178
Passed through North Dakota Department of Public Instruction:			
Education Stabilization Fund:			
COVID-19: ESSER III	84.425U	F84425U	1,055,064
COVID-19: ESSER II	84.425D	F84425D	76,307
COVID-19: ARP Homeless	84.425W	F84425W	4,062
Passed through North Dakota Department of Health and Human Services:			
Best in Class	84.425	F84425	120,000
Total Education Stabilization Fund			<u>1,255,433</u>
Total U.S. Department of Education			<u>3,904,361</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through North Dakota Department of Public Instruction:			
School Breakfast Program	10.553	F10553	61,070
National School Lunch Program	10.555	F10555	123,222
National School Lunch Program	10.555	F10555S	9,158
National School Lunch Program - commodities	10.555	F10555	7,743
Fresh Fruit and Vegetable Program	10.582	F10582	1,690
Child Nutrition Cluster			<u>202,883</u>
State Administrative Expenses for Child Nutrition	10.560	F10560A	887
Total U.S. Department of Agriculture			<u>203,770</u>
U.S. DEPARTMENT OF THE INTERIOR			
Direct Awards:			
477 Cluster:			
Indian Education - Assistance to Schools	15.130		<u>11,966</u>
Total U.S. Department of the Interior			<u>11,966</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Direct Awards:			
Homeland Security Grant Program	97.067		<u>30,762</u>
Total U.S. Department of Homeland Security			<u>30,762</u>
Total expenditures of federal awards			<u>\$ 4,150,859</u>

See Notes to the Schedule of Expenditures of Federal Awards

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED JUNE 30, 2024

NOTE 1 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.

NOTE 2 INDIRECT COST RATE

The District has not elected to use the 10-percent de minimis cost rate as allowed under the Uniform Guidance.

NOTE 3 BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards represent amounts expended from federal programs during the year ended June 30, 2024 based on the accrual basis of accounting. The information in the 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). Because the schedule presents only a selected portion of the operations of Solen School District No. 3, it is not intended to and does not present the financial positions, changes in net position, or cash flows of Solen Public School District No. 3. 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 4 NON-CASH AWARDS

The amount of commodities reported on the schedule is the value of the supplemental food program distributed by the School District during the year as priced by the North Dakota Department of Public Instruction.

**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
Solen Public School District No. 3
Solen, North Dakota

We have audited, in accordance with the 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 Solen Public School District No. 3, 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 January 6, 2025.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a 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 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 were not identified. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2024-001 through 2024-005 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2024-005.

District's Responses to Findings

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

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

January 6, 2025

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

To the School Board
Solen Public School District No. 3
Solen, North Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Solen Public School District No. 3's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2024. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Solen Public School District No. 3 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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 Solen Public School District No. 3 and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Solen Public School District No. 3's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over

compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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



BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

January 6, 2025

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	<u>Unmodified</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	<u> x </u> yes	<u> </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> x </u> none reported
Noncompliance material to financial statements noted?	<u> x </u> yes	<u> </u> no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<u> </u> yes	<u> x </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> x </u> none reported
Type of auditor’s report issued on compliance for major programs:	<u>Unmodified</u>	
Any audit findings disclosed that are Required to be reported in accordance with 2 CFR 200.516(a)?	<u> </u> yes	<u> x </u> no

AL Number(s)

Name of Federal Program or Cluster

84.041

Impact Aid

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>
Auditee qualified as a low-risk auditee?	<u> </u> yes <u> x </u> no

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2024

Section I – Financial Statement Findings

2024-001 Financial Statement Preparation – Material Weakness

Criteria

An appropriate system of internal control requires the District to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

Condition

The District's personnel prepare periodic financial information for internal use that meets the needs of management and the board. However, the District currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The District has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause

The District elected to not allocate resources for the preparation of the financial statements.

Effect

There is an increased risk of material misstatement to the District's financial statements.

Recommendation

We recommend the District consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control the District should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Views of Responsible Officials and Planned Corrective Actions

The Solen Public School Board has decided to accept the degree of risk associated with the district not preparing its own financial statements in accordance with generally accepted accounting principles due to the time and expense necessary to have staff prepare the statements prior to audit.

Indication of Repeat Finding

This is a repeat finding of 2023-001.

2024-002: Adjusting Journal Entries – Material Weakness

Criteria

The District is required to maintain internal controls at a level where underlying support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with GAAP.

Condition

During our audit, adjusting entries to the financial statements were proposed in order to properly reflect the financial statements in accordance with GAAP.

SOLE PUBLIC SCHOOL DISTRICT NO. 3
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2024

Cause

The District's internal controls have not been designed to address the specific training needs required of its personnel to identify the adjustments necessary to properly reflect the financial statements in accordance with GAAP.

Effect

The District's financial statements were materially misstated prior to adjustments detected as a result of audit procedures.

Recommendation

Accounting personnel will need to determine the proper balance in each general ledger account prior to the audit.

Views of Responsible Officials and Planned Corrective Actions

The District will implement stronger controls over the adjusting journal entry process to prevent errors and misstatements and to ensure that the general ledger accounts are properly reflected in accordance with GAAP. This will include the development and implementation of policy & procedures for adjusting entries. This will include a periodic review process for all AJEs by administration.

Indication of Repeat Finding

This is a repeat finding of 2023-002.

2024-003: Segregation of Duties – Material Weakness

Criteria

A proper system of internal control has the proper segregation of duties between authorization, custody, record keeping and reconciliation.

Condition

There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keepings and reconciliation.

Cause

The District is subject to size and budget constraints limiting the number of personnel within the accounting department.

Effect

The design of internal control over financial reporting could adversely affect the ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Recommendation

We recommend the District review their internal controls over the accounting functions to determine if additional procedures can be implemented that are cost effective. The board should constantly be aware of this condition. Compensating controls that mitigate the related risks could be (or are) provided through appropriate oversight of the performance of these functions and review of the financial reports by individuals with knowledge of current operations and accounting principles.

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2024

Views of Responsible Officials and Planned Corrective Actions

The District will conduct a thorough analysis of existing roles and responsibilities, and processes within the business office to identify areas where the segregation of duties is lacking or weak. The district hired additional staff to the business office in FY 2025 to ensure critical duties can be segregated among different individuals.

Indication of Repeat Finding

This is a repeat finding of 2023-003.

2024-004: Fraud Risk Assessment – Material Weakness

Criteria

Fraud risk governance is a key component of entity-wide governance and the internal control environment according to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework principles. This entity wide governance addresses the manner in which the school board and management meet their respective obligations to achieve the entities goals in reporting, reliance, and accountability.

Condition

Solen Public School District No. 3 did not prepare a fraud risk assessment of the entire entity.

Cause

Solen Public School District No. 3 may not have considered preparing a fraud risk assessment.

Effect

If Solen Public School District No. 3 does not prepare an adequate fraud risk assessment, there is an increased risk of fraudulent financial reporting, asset misappropriation, and corruption.

Recommendation

We recommend Solen Public School District No. 3 prepare a fraud risk assessment in order to identify areas of concern within the entity to appropriately mitigate the risk of fraudulent financial reporting, misappropriation of assets, and corruption.

Views of Responsible Officials and Planned Corrective Actions

On November 26, 2024, the school board approved a Fraud Risk Assessment Plan as presented by the school administration.

Indication of Repeat Finding

This is a repeat finding of 2023-004.

2024-005: Mill Levy Calculation – Material Weakness

Criteria

N.D.C.C. §57-15-31(1) states, “The amount to be levied by any county, city, township, school district, park district, or other municipality authorized to levy taxes must be computed by deducting from the amount of estimated expenditures for the current fiscal year as finally determined, plus the required reserve fund determined upon by the governing board from the past experience of the taxing district, the total of the following items:

SOLE PUBLIC SCHOOL DISTRICT NO. 3
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2024

- a. The available surplus consisting of the free and unencumbered cash balance;
- b. Estimated revenues from sources other than direct property taxes;
- c. The total estimated collections from tax levies for previous years;
- d. Expenditures that must be made from bond sources;
- e. The amount of distributions received from an economic growth increment pool under section 57-15-61; and
- f. The estimated amount to be received from payments in lieu of taxes on a project under section 40-57.1-03.

Condition

Solen Public School District No. 3 did not have supporting documentation for its mill levy calculation to ensure the computation is in accordance with N.D.C.C. §57-15-31(1).

Cause

Solen Public School District No. 3 may not have been aware of the requirements of N.D.C.C. §57-15-31(1).

Effect

The attributes identified in N.D.C.C. §57-15-31(1) are key components in the tax levy calculation in any budget year. Thus, Solen Public School District No. 3 may have improperly calculated the tax levies.

Recommendation

We recommend Solen Public School District No. 3 maintain supporting documentation for all elements required for its mill levy calculation to ensure the computation is in compliance with all aspects of N.D.C.C. §57-15-31(1).

Views of Responsible Officials and Planned Corrective Actions

In FY2025, the district contracted an outside organization to assist and train on the district mill levy calculation. This assistance will continue indefinitely, and assistance will be provided to assure that the methodology & legal requirements of the mill levy calculations are followed going forward.

Indication of Repeat Finding

This is a repeat finding of 2023-005.

Section III – Federal Award Findings and Questioned Costs

There are no findings to be reported in this section.

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEARS ENDED JUNE 30, 2024

Section I – Financial Statement Findings

2023-001 Financial Statement Preparation – Material Weakness

Criteria

An appropriate system of internal control requires the District to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

Condition

The District's personnel prepare periodic financial information for internal use that meets the needs of management and the board. However, the District currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The District has elected to have the auditors assist in the preparation of the financial statements and notes.

Indication of Repeat Finding

This finding is repeated as finding 2024-001 in the current year.

2023-002: Adjusting Journal Entries – Material Weakness

Criteria

The District is required to maintain internal controls at a level where underlying support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with GAAP.

Condition

During our audit, adjusting entries to the financial statements were proposed in order to properly reflect the financial statements in accordance with GAAP.

Indication of Repeat Finding

This finding is repeated as finding 2024-002 in the current year.

2023-003: Segregation of Duties – Material Weakness

Criteria

A proper system of internal control has the proper segregation of duties between authorization, custody, record keeping and reconciliation.

Condition

There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keepings and reconciliation.

Indication of Repeat Finding

This finding is repeated as finding 2024-003 in the current year.

2023-004: Fraud Risk Assessment – Material Weakness

Criteria

Fraud risk governance is a key component of entity-wide governance and the internal control environment according to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework principles. This entity wide governance addresses the manner

SOLEN PUBLIC SCHOOL DISTRICT NO. 3
SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2024

in which the school board and management meet their respective obligations to achieve the entities goals in reporting, reliance, and accountability.

Condition

Solen Public School District No. 3 did not prepare a fraud risk assessment of the entire entity.

Indication of Repeat Finding

This finding is repeated as finding 2024-004 in the current year.

2023-005: Mill Levy Calculation – Material Weakness

Criteria

N.D.C.C. §57-15-31(1) states, “The amount to be levied by any county, city, township, school district, park district, or other municipality authorized to levy taxes must be computed by deducting from the amount of estimated expenditures for the current fiscal year as finally determined, plus the required reserve fund determined upon by the governing board from the past experience of the taxing district, the total of the following items:

- a. The available surplus consisting of the free and unencumbered cash balance;
- b. Estimated revenues from sources other than direct property taxes;
- c. The total estimated collections from tax levies for previous years;
- d. Expenditures that must be made from bond sources;
- e. The amount of distributions received from an economic growth increment pool under section 57-15-61; and
- f. The estimated amount to be received from payments in lieu of taxes on a project under section 40-57.1-03.

Condition

Solen Public School District No. 3 did not have supporting documentation for its mill levy calculation to ensure the computation is in accordance with N.D.C.C. §57-15-31(1).

Indication of Repeat Finding

This finding is repeated as finding 2024-005 in the current year.

2023-006 School District Financial Report – Material Weakness

Criteria

The North Dakota School District Financial Accounting and Reporting Manual, provided by the Department of Public Instruction, states: “The School District Financial Report is the primary source of financial information regarding the revenue and expenditures for K-12 education in North Dakota. It is used for many purposes, including data for interdistrict tuition, public information, federal reporting, indirect costs and legislative budget and policy making decisions.”

Condition

Solen Public School District No. 3 submitted the School District Financial Report for the 2021-2022 school year to the North Dakota Department of Public Instruction that contained revenues, expenditures, and fund balances that did not agree to the underlying financial records.

Indication of Repeat Finding

This finding was corrected in the current year.

SOLE PUBLIC SCHOOL DISTRICT NO. 3
SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2024

Section III – Federal Award Findings and Questioned Costs

2023–007 Enrollment Reporting – Material Weakness

AL #84.041 Impact Aid

Criteria

Districts are required to report student enrollment information on the Impact Aid application. The administration of the Impact Aid program depends heavily on the accuracy and timeliness of the enrollment information reported by the institution.

Condition

Solen Public School District No. 3 was unable to provide for the student account numbers submitted on the Impact Aid application.

Indication of Repeat Finding

This finding was corrected in the current year.

2023–008 Allowable Costs/Costs Principals – Material Weakness

AL #84.010 TITLE I

Criteria

The District should charge costs to the grant which are allowable. Also, documentation should be kept that supports that employees are being paid the correct amounts based on approved rates to ensure only approved amounts are charged to the grant.

Condition

Incomplete financial records were kept by the District.

Indication of Repeat Finding

This finding was corrected in the current year.

2023–009 Untimely Filing of Data Collection Form – Other Noncompliance

Criteria

Uniform Guidance 2 CFR 200.512(a) states in part: “The audit must be completed, and the data collection form must be submitted within the earlier of 30 calendar days after receipt of the auditor's report or nine months after the end of the audit period.”

Condition

Solen Public School District No. 3 did not submit its Data Collection Form to the Federal Audit Clearinghouse within nine months of its year-end.

Indication of Repeat Finding

This finding was corrected in the current year.

SOLENS PUBLIC SCHOOL
DISTRICT NO. 3

Corrective Action Plan

2024-001

Financial Statement Preparation – Material Weakness

Contact Person

David Drapeaux

Corrective Action Plan

The Solen Public School Board has decided to accept the degree of risk associated with the district not preparing its own financial statements in accordance with generally accepted accounting principles due to the time and expense necessary to have staff prepare the statements prior to audit.

Completion Date

On-going

2024-002

Adjusting Journal Entries – Material Weakness

Contact Person

David Drapeaux

Corrective Action Plan

The district will implement stronger controls over the adjusting journal entry process to prevent errors and misstatements and to ensure that the general ledger accounts are properly reflected in accordance with GAAP. This will include the development and implementation of policy & procedures for adjusting entries. This will include a periodic review process for all AJEs by administration.

Completion Date

On-going

2024-003 Segregation of duties

Contact Person

David Drapeaux

Corrective Action Plan

The district will conduct a thorough analysis of existing roles and responsibilities, and processes within the business office to identify areas where the segregation of duties is lacking or weak. The district hired additional staff to the business office in FY 2025 to ensure critical duties can be segregated among different individuals.

Completion Date

On-going

SOLEN PUBLIC SCHOOL

DISTRICT NO. 3

2024-004 **Fraud Risk Assessment**

Contact Person
David Drapeaux

Corrective Action Plan
On November 26, 2024, the school board approved a Fraud Risk Assessment Plan as presented by the school administration.

Completion Date
11/26/24

2024-005 Mill Levy Calculation

Contact Person
David Drapeaux

Corrective Action Plan
In FY2025, the district contracted an outside organization to assist and train on the district mill levy calculation. This assistance will continue indefinitely, and assistance will be provided to assure that the methodology & legal requirements of the mill levy calculations are followed going forward.

Completion Date
On-going