RUGBY PUBLIC SCHOOL DISTRICT NO. 5
RUGBY, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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RUGBY PUBLIC SCHOOL DISTRICT NO. 5
ROSTER OF SCHOOL OFFICIALS
AS OF JUNE 30, 2023

Dustin Hager	President
Carlie Johnson	Vice President
Kris Blessum	Board Member
Nicolas Schmaltz	Board Member
Chad Duchscher	Board Member
Mike McNeff	Superintendent
Dawn Hauck	Business Manager

BradyMartz

INDEPENDENT AUDITOR'S REPORT

To the President and Board Members
Rugby Public School District No. 5
Rugby, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Rugby Public School District No. 5 governmental activities, each major fund and the food service fund as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the food service fund of the Rugby Public School District No. 5, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to the 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 Rugby Public School District No. 5 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Rugby Public School District No. 5'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 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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Rugby Public School District No. 5's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Rugby Public School District No. 5'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.

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Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information of the general fund, schedule of District's contributions to the TFFR and NDPERS pension plans, schedule of District's contributions to the NDPERS OPEB plan, schedule of District's proportionate share of net pension liability and schedule of District's proportionate share of net OPEB liability as listed in 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 budgetary comparison information for the capital projects fund, debt service fund and food service fund and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary 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 report. The other information comprises the roster of school officials on page 1 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the 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.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

December 29, 2023

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The discussion and analysis of Rugby Public School District's financial performance provides an overall review of the District's financial activities for the year ended June 30, 2023. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for the 2022-2023 fiscal years are as follows:

- Net position of the District decreased $395,412 from current year operations.
- Governmental net position totaled $4,093,988.
- Total revenues from all sources at the fund level were $11,426,064.
- Total expenses at the fund level were $16,583,867.
- The District's general fund had $9,582,624 total revenues, $9,502,074 in expenditures and $49,882 in transfers out. Overall, the general fund balance increased by $30,668 for the year ended June 30, 2023, compared to a decrease of $193,018 in the previous year.
- The District's Capital Projects fund had $4,707,096 in bond proceeds.

Using this Annual Report

This annual report consists of a series of financial statements and related footnotes. These statements are organized so the reader can understand Rugby Public School District No. 5 as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District do financially during the year ended June 30, 2023?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets, deferred outflows/inflows of resources, and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws in North Dakota, facility condition, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, Capital Projects Fund and Debt Service Fund.

Governmental Funds

The District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Financial Analysis of the District as a Whole

Recall that the Statement of Net Position provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net position as of June 30, 2023 and 2022.

As indicated in the financial highlights, the District's net position decreased by $395,412. Long term liabilities increased by $8,006,667 for the year ended June 30, 2023 primarily due to increases in net pension liability and proceeds from building bonds. Net position may serve over time as a useful indicator of the District's financial position.

The District's net position of $4,093,988 is segregated into three separate categories. Net investment in capital assets represents $3,763,316 of the District's entire net position. It should be noted that these assets are not available for future spending. Restricted net position represents $6,450,093 of the District's net position. Restricted net position represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted net position represents $(6,119,421) of the District's net position. The unrestricted net position is available to meet the District's ongoing obligations and is a deficit primarily due to the effects of the net pension liability.

Table 1

Assets	2023	2022
Current Assets	$ 9,376,709	$ 9,007,603
Capital Assets (Net of Related Debt)	15,329,792	10,404,442
Total Assets	24,706,501	19,412,045
Deferred Outflows of Resources	3,200,497	2,094,544
Liabilities		
Current Liabilities	1,344,357	455,990
Long-Term Liabilities	21,173,445	13,166,778
Total Liabilities	22,517,802	13,622,768
Deferred Inflows of Resources	1,295,208	3,394,421
Net Position		
Net Investment in Capital Assets	3,763,316	3,392,562
Restricted	6,450,093	6,552,453
Unrestricted	(6,119,421)	(5,455,615)
Total Net Position	$ 4,093,988	$ 4,489,400

Table 2 shows the changes in net position for the fiscal years ended June 30, 2023 and 2022.

	2023	2022
Revenues		
Program Revenues		
Charges for Services	$ 840,436	$ 687,468
Operating Grants and Contributions	2,101,720	3,014,271
Capital Grants and Contributions	171,984	-
General Revenues		
Taxes	3,446,354	3,359,403
State Aid	4,833,704	4,918,742
Investment Earnings (Losses)	14,519	2,440
Total Revenues	11,408,717	11,982,324
Expenses		
Regular Instruction	4,682,959	5,294,207
Special Education	599,542	97,418
Vocational Education	366,313	171,437
Pupil Services	578,916	274,050
Business Support Services	161,224	157,835
Instructional Support Services	381,733	310,215
Administration	867,956	1,292,890
Operations and Maintenance	1,538,471	708,726
Transportation	716,460	622,289
Extra-Curricular Activities	876,037	811,345
Food Services	603,210	574,519
Interest and Fees on Long-Term Debt	431,308	362,183
Total Expenses	11,804,129	10,677,114
Change in Net Position	(395,412)	1,305,210
Net Position - Beginning	4,489,400	3,184,190
Net Position - Ending	$ 4,093,988	$ 4,489,400

Property taxes constituted 30%, state aid 42%, operating grants and contributions 18%, and charges for services made up 7% of the total revenues of governmental activities of the District for fiscal year 2023.

Regular instruction comprised 40% of District expenses, and includes the changes in the net pension liability and OPEB liability.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues.

Table 3	Total Cost for Year Ended 6/30/2023	Net Cost for Year Ended 6/30/2023	Total Cost for Year Ended 6/30/2022	Net Cost for Year Ended 6/30/2022
Business Support Services	$ 161,224	$ (161,224)	$ 157,835	$ (157,835)
Pupil Services	578,916	(578,916)	274,050	(274,050)
Instructional Support Services	381,733	(381,733)	310,215	(310,215)
Administration	867,956	(867,956)	1,292,890	(1,292,890)
Operations and Maintenance	1,538,471	(1,366,487)	708,726	(708,726)
Transportation	716,460	(469,898)	622,289	(386,080)
Regular Instruction	4,682,959	(3,460,349)	5,294,207	(3,207,502)
Special Education	599,542	(516,999)	97,418	(75,036)
Vocational Education	366,313	(266,603)	171,437	(76,521)
Extra-Curricular Activities	876,037	(405,211)	811,345	(394,982)
Food Services	603,210	(82,048)	574,519	(28,097)
Interest and Fees on Debt	431,308	(132,565)	362,183	(362,183)
Total Expenses	$ 11,804,129	$ (8,689,989)	$ 10,677,114	$ (7,274,117)

Business support services and administration include expenses associated with administrative and financial supervision of the District.

Instructional support services include the activities involved with assisting staff with the content and process of teaching to pupils.

Operation and maintenance of plant activities involve maintaining the school grounds, buildings, and equipment in an effective working condition.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Special education includes costs that support the education of students with other needs.

Vocational education includes expenditures that support the teaching of vocational type instruction.

Extracurricular activities include expenses related to student activities provided by the District, which are designed to provide opportunities for pupils to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Food Services include expenses directly dealing with providing breakfast and lunch service to students and staff of the District.

Interest and fees on long-term debt involves the transactions associated with the payment of interest and other related charges to debt of the District.

Financial Analysis of the District's Governmental Funds

The focus of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unassigned fund balance generally may be used as a measure of the District's net resources available for spending at the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting. The District's governmental funds had total revenues of $11,426,064 and $11,916,561, bond proceeds of $4,707,096 and $- and expenditures of $16,583,867 and $11,612,109 for the years ended June 30, 2023 and 2022, respectively. As of June 30, 2023 and 2022, the unassigned fund balance of the District's general fund was $1,924,660 and $1,911,474 and total fund balance for all the District's governmental funds were $8,095,695 and $8,546,402, respectively.

General Fund Budgeting Highlights

Over the course of the year, the District did not revise the annual operating budget.

Actual revenues were $494,155 over budget and actual expenditures were $444,636 over budget in the general fund primarily due to higher local and federal revenues than expected and higher operations and maintenance and extracurricular expenditures than expected.

Capital Assets

As of June 30, 2023 and 2022, the District had $15,329,792 and $10,404,442, respectively, invested in net capital assets. Table 4 shows capital asset balances as of June 30, 2023 and 2022. See Note 4 for details.

Table 4

	2023	2022
Land	$ 270,124	$ 270,124
Land Improvements	170,299	207,954
Buildings and Improvements	8,868,421	9,022,400
Equipment and Furniture	227,134	144,444
Vehicles	50,455	56,578
Construction in Progress	5,743,359	702,942
Totals	$ 15,329,792	$ 10,404,442

Outstanding Debt

As of June 30, 2023 and 2022, the District had $21,331,410 in outstanding debt. The District increased its overall debt by $8,006,667 from June 30, 2022. See below and Note 5 for a description of the District's debt.

	Balance at Beginning of Year	Increase	Decrease	Balance at End of Year
Bonds	$ 7,005,000	$ 4,707,096	$ 145,000	$ 11,567,096
Bond Discounts	(19,050)	-	(5,465)	(13,585)
Special Assessments	25,930	-	12,965	12,965
Compensated Absences	15,551	-	672	14,879
Net OPEB Liability	38,527	51,163	10,397	79,293
Net Pension Liability	6,258,785	4,739,402	1,327,425	9,670,762
	$ 13,324,743	$ 9,497,661	$ 1,490,994	$ 21,331,410

For the Future

In FY23, the school district experienced a decline in Average Daily Membership (ADM), ending the year with 575.21 ADM, marking the second consecutive year of decrease. This trend adversely affects foundation aid payments, with projections indicating a further drop to around 570 ADM. The district's high school is approaching an enrollment of 300 students as larger classes advance into higher grades. Ely Elementary anticipates an enrollment of approximately 270 students, bolstered by an expected kindergarten class of 40-45 students. Financially, the district has been allocated approximately $1.7 million in ESSER funds (COVID Relief Funds), which are due to be fully spent by the end of FY24. These funds, while substantial, are non-sustainable and primarily allocated for learning loss, summer school, nursing, and mental health programs. The remaining $1.3 million is dedicated to the Ely Elementary Addition project.

Regarding staff and infrastructure, the district has initiated a two-year agreement with the Rugby Education Association to maintain competitive staff salaries and benefits. Additionally, a new salary structure for ancillary employees was introduced to attract and retain support staff. The district has secured additional funding for preschool programming, adding an educator and paraeducator at the Rugby Early Learning Center, bringing in an extra $240,000. Furthermore, the district received full funding for a Stronger Connections Grant, amounting to roughly $500,000 over three years for various educational and security enhancements. Despite a projected $15,000 reduction in state foundation aid due to lower student enrollment, the district expects to spend an additional $47,225.10 in FY24, aided by a special reserve fund transfer and a preschool grant. The mill rate is recommended to remain at 82 mills, with a 3% increase in taxable valuations. Future budgetary concerns include rising special education costs and the need to meet Individual Education Plan obligations. The district will also focus on enhancing literacy instruction through the Comprehensive State Literacy Development Grant, supporting struggling readers and funding additional paraeducators for literacy interventions. Finally, the Ely Elementary building project has posed significant financial implications, with a fundraising campaign and a Coal Development Trust Fund loan being strategized to manage costs. The project was completed in January 2024.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. You may request a copy of this report by contacting Dawn Hauck, Business Manager, Rugby Public School District, 1123 South Main Ave, Rugby, ND 58368, or email at dawn.hauck@k12.nd.us

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
STATEMENT OF NET POSITION
JUNE 30, 2023

		Governmental Activities
ASSETS		
Current Assets		
Cash and Investments	$	8,811,600
Taxes Receivable, Net		245,240
Due from Other Governments		319,869
Total Current Assets		9,376,709
Non-Current Assets		
Capital Assets		
Land and Improvements		980,999
Construction in Process		5,743,359
Buildings and Improvements		15,465,531
Equipment and Furniture		913,514
Vehicles		166,876
Less: Accumulated Depreciation		(7,940,487)
Total Capital Assets		15,329,792
TOTAL ASSETS		24,706,501
DEFERRED OUTFLOWS OF RESOURCES		
Cost Sharing Defined Benefit Pension Plan - TFFR		1,442,975
Cost Sharing Defined Benefit Pension Plan - NDPERS		1,712,119
Cost Sharing Defined Benefit OPEB Plan - NDPERS		45,403
TOTAL DEFERRED OUTFLOWS OF RESOURCES		3,200,497
LIABILITIES		
Accounts Payable		915,268
Accrued Payroll and Related Liabilities		142,034
Interest Payable		129,090
Special Assessments Due Within One Year		12,965
Bonds Payable Due Within One Year		145,000
Total Current Liabilities		1,344,357
Non-Current Liabilities		
Bonds Payable (Net of Current Maturities and Bond Discount)		11,408,511
Compensated Absences		14,879
Net OPEB Liability		79,293
Net Pension Liability		9,670,762
Total Non-Current Liabilities		21,173,445
TOTAL LIABILITIES		22,517,802
DEFERRED INFLOWS OF RESOURCES		
Cost Sharing Defined Benefit Pension Plan - TFFR		378,802
Cost Sharing Defined Benefit Pension Plan - NDPERS		911,532
Cost Sharing Defined Benefit OPEB Plan - NDPERS		4,874
TOTAL DEFERRED INFLOWS OF RESOURCES		1,295,208
NET POSITION		
Net Investment in Capital Assets		3,763,316
Restricted for Debt Service		6,235,650
Restricted for Student Activities		214,443
Unrestricted		(6,119,421)
TOTAL NET POSITION	$	4,093,988

See Notes to the Financial Statements

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

		Program Revenues			Net (Expense) Revenues and Changes in Net Position
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**
Primary Government					
Governmental Activities					
Instruction:					
Regular	$ 4,682,959	$ 112,468	$ 1,110,142	$ -	$ (3,460,349)
Special Education	599,542	-	82,543	-	(516,999)
Vocational Education	366,313	-	99,710	-	(266,603)
Total Instruction	5,648,814	112,468	1,292,395	-	(4,243,951)
Support Services:					
Pupil Services	578,916	-	-	-	(578,916)
Instructional Staff Services	381,733	-	-	-	(381,733)
General Administration Services	449,821	-	-	-	(449,821)
School Administration Services	418,135	-	-	-	(418,135)
Business Services	161,224	-	-	-	(161,224)
Operations and Maintenance	1,538,471	-	-	171,984	(1,366,487)
Pupil Transportation Services	716,460	-	246,562	-	(469,898)
Extracurricular Activities	876,037	470,826	-	-	(405,211)
Food Service	603,210	257,142	264,020	-	(82,048)
Interest on Long-Term Debt	431,308	-	298,743	-	(132,565)
Total Support Services	6,155,315	727,968	809,325	171,984	(4,446,038)
Total Governmental Activities	$ 11,804,129	$ 840,436	$ 2,101,720	$ 171,984	(8,689,989)
	General Revenues:				
	Taxes:				
	Property Taxes, Levied for General Purposes				2,645,219
	Property Taxes, Levied for Debt Service				640,690
	Property Taxes, Levied for Capital Projects				160,445
	State Aid Not Restricted For Specific Purpose				
	Per Pupil Aid				4,833,704
	Investment Income (Loss) and Other Revenues				14,519
	Total General Revenues				8,294,577
	Change in Net Position				(395,412)
	Net Position - Beginning				4,489,400
	Net Position - Ending				$ 4,093,988

See Notes to the Financial Statements

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor - Food Service Fund	Total Governmental Funds
ASSETS					
Cash and Investments	$ 1,998,621	$ 478,691	$ 6,319,616	$ 14,672	$ 8,811,600
Taxes Receivable, Net	188,885	11,231	45,124	-	245,240
Due from Other Governments	319,799	-	-	70	319,869
TOTAL ASSETS	$ 2,507,305	$ 489,922	$ 6,364,740	$ 14,742	$ 9,376,709
LIABILITIES					
Accounts Payable	$ 56,672	$ 858,596	$ -	$ -	$ 915,268
Accrued Payroll and Related Liabilities	140,715	-	-	1,319	142,034
TOTAL LIABILITIES	197,387	858,596	-	1,319	1,057,302
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Delinquent Taxes	170,815	10,543	42,354	-	223,712
TOTAL DEFERRED INFLOWS OF RESOURCES	170,815	10,543	42,354	-	223,712
FUND BALANCES:					
Restricted for Debt Service	-	-	6,322,386	-	6,322,386
Restricted for Student Activities	214,443	-	-	-	214,443
Assigned for Food Service	-	-	-	13,423	13,423
Unassigned	1,924,660	(379,217)	-	-	1,545,443
TOTAL FUND BALANCES	2,139,103	(379,217)	6,322,386	13,423	8,095,695
TOTAL LIABILITIES AND FUND BALANCES	$ 2,507,305	$ 489,922	$ 6,364,740	$ 14,742	$ 9,376,709

See Notes to the Financial Statements

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total fund balance, governmental funds		$ 8,095,695
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 as net assets in government funds:		
Cost of Capital Assets	$ 23,270,279	
Less: Accumulated Depreciation	(7,940,487)	
Net		15,329,792
Net deferred outflows/(inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows/(inflows) of resources in the governmental funds.		1,905,289
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 deferred in the funds.		223,712
Bond discounts that are amortized over the life of the debt issue.		13,585
Long-term liabilities, including special assessments, are not due and payable in the current period and therefore, are not recorded as liabilities in the governmental funds.		
Bonds Payable		(11,567,096)
Special Assessments		(12,965)
Compensated Absences		(14,879)
Net OPEB Liability		(79,293)
Net Pension Liability		(9,670,762)
Interest payable is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.		(129,090)
Net position of governmental activities in the Statement of Net Position		$ 4,093,988

See Notes to the Financial Statements

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor - Food Service Fund	Total Governmental Funds
REVENUES					
Local Property Tax Levies	$ 2,648,438	$ 160,650	$ 641,607	$ -	$ 3,450,695
Other Local and County Revenues	549,042	206,235	-	257,142	1,012,419
Revenue from State Sources	5,245,215	-	-	2,353	5,247,568
Revenue from Federal Sources	1,127,446	-	298,743	261,667	1,687,856
Gain/(Loss) on Fair Value Investments	-	-	6,805	-	6,805
Interest	12,483	2,592	5,646	-	20,721
TOTAL REVENUES	9,582,624	369,477	952,801	521,162	11,426,064
EXPENDITURES					
Current:					
Regular Instruction	4,095,298	-	-	-	4,095,298
Special Education	599,542	-	-	-	599,542
Vocational Education	366,313	-	-	-	366,313
Pupil Support Services	578,916	-	-	-	578,916
Instructional Staff Services	369,479	-	-	-	369,479
General Administration Services	447,815	-	-	-	447,815
School Administration Services	418,135	-	-	-	418,135
Business Services	161,224	-	-	-	161,224
Operations and Maintenance	763,911	769,275	-	-	1,533,186
Pupil Transportation Services	705,844	-	-	-	705,844
Extracurricular Activities	873,667	-	-	-	873,667
Food Service	-	-	-	599,241	599,241
Capital Outlays:	121,930	5,188,217	-	-	5,310,147
Debt Service:					
Principal Retirement	-	12,965	145,000	-	157,965
Interest and Fees on Long-Term Debt	-	1,037	366,058	-	367,095
TOTAL EXPENDITURES	9,502,074	5,971,494	511,058	599,241	16,583,867
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	80,550	(5,602,017)	441,743	(78,079)	(5,157,803)
OTHER FINANCING SOURCES (USES)					
Loan Proceeds	-	4,707,096	-	-	4,707,096
Transfers In	-	29,882	-	20,000	49,882
Transfers Out	(49,882)	-	-	-	(49,882)
TOTAL OTHER FINANCING SOURCES (USES)	(49,882)	4,736,978	-	20,000	4,707,096
NET CHANGE IN FUND BALANCES	30,668	(865,039)	441,743	(58,079)	(450,707)
FUND BALANCE - BEGINNING OF YEAR	2,108,435	485,822	5,880,643	71,502	8,546,402
FUND BALANCE - END OF YEAR	$ 2,139,103	$ (379,217)	$ 6,322,386	$ 13,423	$ 8,095,695

See Notes to the Financial Statements

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Net change in fund balances - total governmental funds:		$ (450,707)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital Outlay	$ 5,310,147	
Depreciation Expense	(371,790)	4,938,357
Gain (Loss) on Disposition of Assets		(13,007)
Changes in deferred outflows and inflows of resources related to net pension liability		3,205,166
Change in net OPEB liability		(40,766)
Change in net pension liability		(3,411,977)
Governmental funds report the effects of premiums, discounts, and similar items when debt is first issued. In contrast, these amounts are deferred and amortized in the Statement of Activities. This is the amount of current year amortization of bond discounts.		(5,465)
Changes in special assessments		12,965
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These items consisted of the (increase)/decrease in:		
Compensated Absences		672
Some revenues will not be collected for several months after the District's fiscal year end. These revenues are not considered "available" revenues in the governmental funds. These consist of:		
Net change in unavailable property taxes		(4,341)
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.		145,000
Proceeds from issuance of long-term debt is reported as an other financing source in the governmental funds. However, this issuance of debt increases long-term liabilities in the statement of net position		(4,707,096)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		(64,213)
Change in net position of governmental activities		$ (395,412)

See Notes to the Financial Statements

NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Rugby Public School District No. 5 operates the public schools in the City of Rugby, North Dakota. The District's basic financial statements include the accounts of all of the District's operations.

Reporting entity - Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of an organization's governing body and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources. Component units may also include organizations that are fiscally dependent on the District. Fiscal dependence can include the District’s approval of the budget, issuance of debt, and/or levying of taxes for the organization.

Based on the above criteria, there are no component units included in the District’s reporting entity.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District’s financial statements are presented in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The District’s significant accounting policies are described below.

Basis of Presentation

The District's basic financial statements consist of government-wide statements and fund financial statements.

Government-wide Financial Statements:

The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These statements display information about the District as a whole.

The Statement of Net Position presents the financial condition of the governmental activities of the District at year-end.

The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District’s governmental activities. The statement identifies the extent to which each governmental function is self-financing or drawing from the general revenues of the District. Direct expenses are expenses that are specifically associated with a service, program or department. The direct expenses are clearly identifiable to a particular function. Program revenues include charges to recipients for goods or services offered by the program, or grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District.

As a general rule, the effect of inter-fund activity has been eliminated from the district-wide statements.

The government-wide financial statements do not include fiduciary funds or component units that are fiduciary in nature.

Fund Financial Statements:

In order to aid financial management and to demonstrate legal compliance, the District segregates transactions related to certain functions or activities in separate funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The focus of the governmental fund financial statements is on major funds. Each major fund is presented as a separate column in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. The fiduciary fund is reported by type.

Fund Accounting

The District's funds consist of the following:

Governmental Funds:

Governmental funds are utilized to account for most of the District's governmental functions. The reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which the obligation will be paid. Fund balance represents the difference between the governmental fund assets, deferred outflows and inflows of resources, and liabilities. The District's major governmental funds are as follows:

General Fund:
This fund is the general operating fund of the District. It accounts for all financial resources except those required to be accounted for in another fund.

Capital Projects:
This fund accounts for the financial resources associated with the District's capital projects.

Debt Service:
This fund is used to account for the accumulation of resources that are restricted for the payment of principal and interest on long-term obligations of governmental funds.

The District's nonmajor governmental funds are as follows:

Food Service:
This fund accounts for the financial resources associated with the District's hot lunch and breakfast programs.

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 inflows and outflows of resources, and liabilities associated with the operations 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 and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances 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 these differences, 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 the end of its fiscal year. Expenditures are generally recorded as the related fund liability is incurred.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

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.

Major revenue sources susceptible to accrual include: property taxes, intergovernmental revenues and investment income.

Unearned Revenues:

Unearned revenue arises when assets are recognized in the financial statements before the revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenues.

On the governmental fund financial statements, receivables that will not be collected during the availability period have been reported as unearned revenue.

Expenses and Expenditures:

Governmental funds accounting measurement focus is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recorded in the fiscal year in which the related fund liability is incurred. Under the accrual basis of accounting, expenses are recorded when incurred.

Budgets and Budgetary Accounting:

The District's board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School District, annually on or before the last day of July, must levy taxes. The governing body of the School District may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year. Taxes for School District purposes must be based upon an itemized budget statement which must show the complete expenditure by program of the District for the current fiscal year and the sources of the revenue from which it is to be financed. The School Board, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the District and to provide a sinking fund to pay and discharge the principal thereon at maturity.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The administration prepares the District's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.

2. The Board reviews the budget, may make revisions, and adopts the final budget on or before October 10th of each year. The budget is then filed with the county auditor by October 10th of each year.

3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10th of each year. The budget amounts shown in the financial statements are the final authorized amounts.

4. All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

Cash and Cash Equivalents:

The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments:

Investments are certificates of deposit with maturities of more than three months and federal agency bonds. North Dakota state statute authorizes school districts to invest their surplus funds in: a) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress, b) Securities sold under agreements to repurchase, written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above, c) Certificates of deposit fully insured by the Federal Deposit Insurance Corporation of the state, d) Obligations of the state.

Fair Value Measurements:

The Organization accounts for all assets and liabilities that are being measured and reported on a fair value basis in accordance with GAAP. GAAP defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements.

When fair value measurements are required, various data is used in determining those values. This statement requires that assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

Level 1: Quoted market prices in active markets for identical assets or liabilities.
Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
Level 3: Unobservable inputs that are not corroborated by market data.

Capital Assets:

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported as assets in the fund financial statements. All capital assets are recorded at cost (or estimated historical cost). The assets are updated for additions and retirements during the District's fiscal year. The District has established a capitalization threshold of $5,000. Donated fixed assets are recorded at their acquisition values at the date received. The District does not have any infrastructure assets. Improvements that significantly extend the useful life of the asset are also capitalized.

The District's land is capitalized but is not depreciated. All the remaining capital assets are depreciated over their estimated useful lives on a straight-line basis. The District has established the following useful lives:

Land Improvements	15 to 20 years
Buildings and Improvements	20 to 50 years
Equipment and Furniture	5 to 20 years
Vehicles	8 years

Accrued Liabilities and Long-Term Obligations:

All payables accrued liabilities and long-term obligations are reported in the District's government wide financial statements. The District's governmental fund financials report only those obligations that will be paid from current financial resources.

Pensions:

For purpose 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 Employee 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.

Fund Balance Classifications:

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable – consists of amounts that are not in spendable form, such as inventory and prepaid items. The District does not have any fund balance classified as nonspendable.

Restricted – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors, or constraints imposed by state statutory provisions and administered by the North Dakota Department of Education.

Committed – consists of internally imposed constraints. These constraints are established by Resolution of the Board of Education. The District does not have any fund balance classified as committed.

Assigned – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the District's intended use. These constraints are established by the Board of Education and/or management.

Unassigned – is the residual classification for the general fund and also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to first use restricted resources, and then use unrestricted resources as they are needed.

When committed, assigned, or unassigned resources are available for use, it is the District's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

The District has classified the spendable fund balances as Restricted, Assigned, and Unassigned and considers each to have been spent when expenditures are incurred.

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.

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 resource (expense/expenditure) until then. The District has two items reported on the statement of net position as *cost sharing defined benefit pension plan* and *cost sharing defined benefit OPEB plan*, which represents actuarial differences within the TFFR and NDPERS pension plans and NDPERS OPEB plan as well as contributions to the plan made 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 one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue - delinquent taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also has two items reported on the statement of net position as *cost sharing defined benefit pension plan* and *cost sharing defined benefit OPEB plan*, which represents the actuarial differences within the NDPERS and TFFR pension plans and NDPERS OPEB plan.

Other Post-Employment Benefits (OPEB):

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

Inter-fund Activity:

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Estimates:

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Revenue Recognition - Property Taxes:

Taxes receivable consist of current and delinquent uncollected taxes at June 30, 2023.

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 have not been paid. Additional penalties are added October 15, if not paid. Taxes are collected by the county and usually remitted monthly to the School 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 School District tax levies are in compliance with state laws.

Significant Group Concentrations of Credit Risk:

As of June 30, 2023, the District's receivables consist of amounts due from other governmental units within the State of North Dakota.

NOTE 3 CASH AND INVESTMENTS

Custodial Credit Risk - Deposits

In accordance with North Dakota laws, the District maintains deposits at a depository authorized by the School Board. The depository is a member of the Federal Reserve System.

North Dakota laws require that all public deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal at least 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral includes the legal investments described below, as well as certain first mortgage notes, and certain other state or local government obligations. North Dakota laws require that securities pledged as collateral be held in safekeeping by the District treasurer or in a financial institution other than that furnishing the collateral.

At June 30, 2023, the carrying amount of the District's deposits was $2,980,552 and the bank balance was $3,133,531. The entire bank balance was covered by Federal Depository Insurance or by collateral held by the District's Agent in the District's name in amounts sufficient to meet North Dakota legal requirements.

As of June 30, 2023, the District had the following investments and maturities:

					Fair Value Measurements Using		
	6/30/2023	Less than One Year	1-5 Years	6-10 Years	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level							
Cash & Cash Alternatives							
Federated Hermes Government Obligations - Tax Managed Fund	$ 494,971	$ 494,971	$ -	$ -	$ -	$ 494,971	$ -
Debt Securities							
Federal National Mortgage Assn	591,451	398,200	193,251	-	-	591,451	-
Federal Farm Credit Banks Funding Corp	1,274,889	366,680	908,209	-	-	1,274,889	-
Freddie Mac Coupon Strips	997,437	-	997,437	-	-	997,437	-
United States Treasury Strips	1,107,852	-	1,107,852	-	-	1,107,852	-
United States Treasury Notes	1,364,422	98,981	1,265,441	-	-	1,364,422	-
Total Investments by Fair Value Level	$ 5,831,022	$ 1,358,832	$ 4,472,190	$ -	$ -	$ 5,831,022	$ -

Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using prices that are observable for the investment, either directly or indirectly. All investments are rated Aaa by Moody's.

Credit Risk

The District may also invest idle funds as authorized by North Dakota laws, as follows:

a. Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress.

b. Securities sold under agreements to repurchase, written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.

c. Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation or the state.

d. Obligations of the state.

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer.

Custodial Credit Risk - Investments

The investments are not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement 40.

NOTE 4 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2023 was as follows:

	Balance 7/1/2022	Additions	Deductions	Reclass	Balance 6/30/2023
Capital Assets Not Being Depreciated:					
Land	$ 270,124	$ -	$ -	$ -	$ 270,124
Construction in Progress	702,942	5,188,217	-	(147,800)	5,743,359
Total Capital Assets Not Being Depreciated	973,066	5,188,217	-	(147,800)	6,013,483
Capital Assets Being Depreciated:					
Land Improvements	710,875	-	-	-	710,875
Buildings and Improvements	15,317,731	-	-	147,800	15,465,531
Equipment and Furniture	809,084	104,430	-	-	913,514
Vehicles	164,765	17,500	15,389	-	166,876
Total Capital Assets Being Depreciated	17,002,455	121,930	15,389	147,800	17,256,796
Less Accumulated Depreciation					
Land Improvements	502,921	37,655	-	-	540,576
Buildings and Improvements	6,295,331	301,779	-	-	6,597,110
Equipment and Furniture	664,640	21,740	-	-	686,380
Vehicles	108,187	10,616	2,382	-	116,421
Total Accumulated Depreciation	7,571,079	371,790	2,382	-	7,940,487
Total Capital Assets Being Depreciated, Net	9,431,376	(249,860)	13,007	147,800	9,316,309
Net Capital Assets for Governmental Activities	$ 10,404,442	$ 4,938,357	$ 13,007	$ -	$ 15,329,792

Construction in Progress consisted of the expansion and remodeling of Ely Elementary School.

In the governmental activities section of the Statement of Activities, depreciation was charged to expenses in the following governmental functions:

Depreciation	
Regular instruction	$ 335,290
General administration	2,006
Operations and maintenance	5,285
Pupil transportation	10,616
Extracurricular activities	2,370
Food service	3,969
Unallocated	12,254
Total	$ 371,790

NOTE 5 LONG-TERM DEBT OBLIGATIONS

As of June 30, 2023, long-term debt consists of special assessments, Qualified School Construction Bonds (QSCB), bonds issued to upgrade the District's heating, ventilation, and air-conditioning systems (HVAC bonds), bonds issued to finance construction and repairs of public school buildings (2013 Bonds), early retirement, compensated absences, net pension liability and net OPEB liability.

Special Assessments - The District is in the process of paying off several special assessments to the City of Rugby.

Qualified School Construction Bonds – These bonds are general obligations of the District for which the full faith and credit and unlimited taxing powers of the District are pledged. The proceeds of the bonds will be used for the purpose of financing the cost of construction, reconstruction, improvement, equipping, and repair of the public school buildings. The federal government will reimburse a percentage of interest payments and the bonds will be repaid when the sinking fund levy reaches the amount of the bonds. The District is accumulating funds in the debt service fund in order to pay the balloon payment due in fiscal year 2025.

HVAC Bonds – These bonds are special obligations of the District payable solely from a special levy. The proceeds of the bonds will be used for the purpose of financing HVAC improvements, asbestos abatement and required ancillary systems to meet American Society of Heating, Refrigerating and Air Conditioning Engineers, Inc. standards for the Rugby High School.

2013 Bonds – The proceeds of the bonds are to be used for the purpose of providing funds to finance the cost of the construction, reconstruction, improvement, equipping and repair of the public school buildings including energy efficiency improvements.

Building Bonds, Series 2022 Bonds – The proceeds of the bonds are to be used for the purpose of providing funds to finance the cost of the expansion of the Ely Elementary school building.

Information on the long-term debt individual issues as of June 30, 2023 is as follows:

	Interest Rate	Issue Date	Maturity Date	Amount Outstanding
Qualified School Construction Bonds	5.40%	8/12/2010	5/1/2025	$ 6,000,000
HVAC Limited Tax Bonds, Series 2011	1.50% - 4.00%	5/4/2011	5/1/2026	285,000
Limited Tax Bonds, Series 2013	0.75% - 3.25%	2013	8/1/2028	575,000
Building Bonds, Series 2022	2.00%	2022	8/1/2041	4,707,096
Special Assessments				
Parcel 09340000 Dist 1-09	4.00%	2011	2024	948
Parcel 10038000 Dist 1-09	4.00%	2011	2024	6,410
Parcel 10586000 Dist 1-09	4.00%	2011	2024	4,859
Parcel 08423000 Dist 1-09	4.00%	2011	2024	51
Parcel 08422000 Dist 1-09	4.00%	2020	2024	74
Parcel 08425000 Dist 1-09	4.00%	2020	2024	84
Parcel 08427000 Dist 1-09	4.00%	2022	2024	84
Parcel 08452000 Dist 1-09	4.00%	2020	2024	455
				$ 11,580,061

Long-term debt activity for the year ended June 30, 2023 is summarized as follows:

	Balance at Beginning of Year	Increase	Decrease	Balance at End of Year	Due in One Year
Qualified School Construction Bonds	$ 6,000,000	$ -	$ -	$ 6,000,000	$ -
Bond Discounts	(19,050)	-	(5,465)	(13,585)	-
HVAC Limited Tax Bonds, Series 2011	375,000	-	90,000	285,000	90,000
Limited Tax Bonds, Series 2013	630,000	-	55,000	575,000	55,000
Building Bonds, Series 2022 ELY School Project	-	4,707,096	-	4,707,096	-
Special Assessments	25,930	-	12,965	12,965	12,965
Compensated Absences	15,551	-	672	14,879	-
Net OPEB Liability	38,527	51,163	10,397	79,293	-
Net Pension Liability	6,258,785	4,739,402	1,327,425	9,670,762	-
	$ 13,324,743	$ 9,497,661	$ 1,490,994	$ 21,331,410	$ 157,965

Early retirement, compensated absences, net OPEB liability and the net pension liability is generally liquidated by the general fund. Special assessments are liquidated from the capital projects fund.

The annual aggregate maturities for each debt type for the years subsequent to June 30, 2023 are as follows:

Qualified School Construction Bonds

Fiscal Year	Principal	Interest	IRS Subsidy	Total
2024	$ -	$ 324,000	$ (316,800)	$ 7,200
2025	6,000,000	324,000	(316,800)	6,007,200
Total	$ 6,000,000	$ 648,000	$ (633,600)	$ 6,014,400

HVAC Limited Tax Bonds, Series 2011

Fiscal Year	Principal	Interest	Total
2024	$ 90,000	$ 11,400	$ 101,400
2025	95,000	7,800	102,800
2026	100,000	4,000	104,000
Total	$ 285,000	$ 23,200	$ 308,200

Limited Tax Bonds, Series 2013

Fiscal Year	Principal	Interest	Total
2024	$ 55,000	$ 17,015	$ 72,015
2025	60,000	15,290	75,290
2026	60,000	13,490	73,490
2027	65,000	11,615	76,615
2028	165,000	8,083	173,083
2029	170,000	2,762	172,762
Total	$ 575,000	$ 68,255	$ 643,255

Building Bonds, Series 2022			
Fiscal Year	Principal	Interest	Total
2024	$ -	$ 157,400	$ 157,400
2025	260,000	154,800	414,800
2026	270,000	149,500	419,500
2027	270,000	144,100	414,100
2028	280,000	138,600	418,600
2029-2033	2,197,686	577,317	2,775,003
2034-2038	1,429,410	335,204	1,764,614
2039-2042	-	84,195	84,195
Total	$ 4,707,096	$ 1,741,116	$ 6,448,212

As of June 30, 2023, the District has only received bond proceeds from the Building Bonds, Series 2022 of $4,707,096. The remaining bond proceeds will be received as construction occurs.

Special Assessments			
Fiscal Year	Principal	Interest	Total
2024	$ 12,965	$ 1,037	$ 14,002

NOTE 6 FUND BALANCE

A. Classifications

At June 30, 2023, a summary of the governmental fund balance classifications is as follows:

	General Fund	Food Service Fund	Capital Projects Fund	Debt Service Fund	Total
Restricted for:					
Debt Service	$ -	$ -	$ -	$ 6,322,386	$ 6,322,386
Student Activities	214,443	-	-	-	214,443
Assigned for:					
Food Service	-	13,423	-	-	13,423
Unassigned	1,924,660	-	(379,217)	-	1,545,443
Total	$ 2,139,103	$ 13,423	$ (379,217)	$ 6,322,386	$ 8,095,695

Restricted fund balances reflect resources restricted for statutorily defined purposes not accounted for in a separate fund. At June 30, 2023, there were the following accounts:

Restricted for Debt Service:
This account represents funds held by the School District available to service long-term debt.

Restricted for Student Activities:
This account represents funds held by the School District received from students for future student activity use.

Assigned fund balances consist of the following:

Assigned for Food Service:
This account represents funds held by the School District available for Food Service expenditures.

Minimum Fund Balance Policy

The District will strive to maintain a minimum unassigned general fund balance of not less than 10 percent and not more than 25 percent of the annual budget.

NOTE 7 DEFINED BENEFIT PENSION PLANS - STATEWIDE

Substantially, all employees of the District are required by state law to belong to pension plans administered by the Teacher's Fund for Retirement (TFFR) or the North Dakota Public Employees Retirement System (NDPERS), both of which are administered on a statewide basis.

Disclosures relating to these plans follow:

North Dakota Teacher's Fund For Retirement

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

A Tier 2 member is entitled to receive unreduced benefits when five or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the five highest annual salaries earned divided by 60 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Death and Disability Benefits

Death benefits may be paid to a member's designated beneficiary. If a member's death occurs before retirement, the benefit options available are determined by the member's vesting status prior to death. If a member's death occurs after retirement, the death benefit received by the beneficiary (if any) is based on the retirement plan the member selected at retirement.

An active member is eligible to receive disability benefits when: (a) a total disability lasting 12 months or more does not allow the continuation of teaching, (b) the member has accumulated five years of credited service in North Dakota, and (c) the Board of Trustees of TFFR has determined eligibility based upon medical evidence. The amount of the disability benefit is computed by the retirement formula in NDCC Section 15-39.1-10 without consideration of age and uses the member's actual years of credited service. There is no actuarial reduction for reason of disability retirement.

Member and Employer Contributions

Member and employer contributions paid to TFFR are set by NDCC Section 15-39.1-09. Every eligible teacher in the State of North Dakota is required to be a member of TFFR and is assessed at a rate of 11.75% of salary as defined by NDCC Section 15-39.1-04. Every governmental body employing a teacher must also pay into TFFR a sum equal to 12.75% of the teacher's salary. Although this footnote only includes the required contribution by the District, the District is also currently contributing the employee share. 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, 2023, the District reported a liability of $7,354,671 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2022, 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 July 1, 2022, the Employer's proportion was 0.505111 percent which was a decrease of 0.0001461 from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Employer recognized pension expense of $458,044. At June 30, 2023, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 31,694	$ 196,366
Changes in actuarial assumptions	149,550	-
Difference between projected and actual investment earnings	550,875	-
Changes in proportion	208,423	182,436
Contributions paid to TFFR subsequent to the measurement date	502,433	-
Total	$ 1,442,975	$ 378,802

$502,433 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, 2024.

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:	Pension Expense Amount
2023	$ 115,936
2024	68,005
2025	(25,480)
2026	478,532
2027	(22,498)
Thereafter	(52,755)

Actuarial Assumptions

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

Inflation	2.30%
Salary increases	3.80% to 14.80%, varying by service, including inflation and productivity
Investment rate of return	7.25%, net of investment expenses
Cost-of-living adjustments	None

For active and inactive members, mortality rates were based on the PubT-2010 Employee Mortality Table, projected generational improving using Scale MP-2019. For healthy retirees, mortality rates were based on 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019. For disability retirees, mortality rates were based on the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019.

The actuarial assumptions used were based on the results of an actuarial experience study dated March 19, 2020. They are the same as the assumptions used in the July 1, 2022, funding actuarial valuation for TFFR.

The TFFR Board is responsible for establishing investment policy for the fund assets under NDCC 15-39.1-05.2. Benefit payments are projected to occur over a long period of time. This allows TFFR to adopt a long-term investment horizon and asset allocation policy for the management of fund assets. Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the Board in determining an acceptable volatility target for the fund and optimal asset allocation policy mix. The 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 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 TFFR target asset allocation as of June 30, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	55.00%	6.60%
Global Fixed Income	26.00%	4.00%
Global Real Assets	18.00%	4.60%
Cash Equivalents	1.00%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2022, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund 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 for current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2022.

Sensitivity of the 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 percent as of June 30, 2022, as well as what the Employers' proportionate share of the 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 in Discount Rate 6.25%	Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
District's proportionate share of the TFFR net pension liability:	$ 10,104,643	$ 7,354,671	$ 5,073,915

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report. TFFR's Comprehensive Annual Financial Report (CAFR) is located at
https://www.rio.nd.gov/sites/www/files/documents/PDFs/RIO/Reports/annualreport2022.pdf.

North Dakota Public Employees' Retirement System

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service. The Main Plan will be closed to new employees with the passage of House Bill 1040. The effective date is dependent upon NDPERS implementing the changes to set up a new defined contribution (DC) plan. If the DC plan is set up by December 31, 2023, then the effective date of the Main Plan closure will be January 1, 2024. If the changes cannot be accomplished by then, the effective date will be 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 of disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation. Employer contribution rates increase by 1% beginning January 1, 2024.

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

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

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

At June 30, 2023, the District reported a liability of $2,316,092 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2022, the District's proportion was 0.08042 percent, which was an increase of 0.0000533 from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of $360,430. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 12,081	$ 44,241
Changes in actuarial assumptions	1,385,057	858,659
Difference between projected and actual investment earnings	84,768	-
Changes in proportion	160,364	8,632
Contributions paid to NDPERS subsequent to the measurement date	69,849	-
Total	$ 1,712,119	$ 911,532

$69,849 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024.

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:	Pension Expense Amount
2023	$ 218,384
2024	249,861
2025	35,728
2026	226,765

Actuarial Assumptions

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

Inflation	2.25%
Salary Increases	3.5% to 17.75% including inflation
Investment rate of return	5.10% net of investment expenses
Cost-of-living adjustment	None

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30.00%	5.75%
International Equity	21.00%	6.45%
Private Equity	7.00%	9.20%
Domestic Fixed Income	23.00%	0.34%
Global Real Assets	19.00%	4.35%

Discount Rate

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

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

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

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 5.10 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 (4.10 percent) or 1-percentage-point higher (6.10 percent) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	4.10%	5.10%	6.10%
District's proportionate share of the NDPERS net pension liability:	$ 3,057,082	$ 2,316,092	$ 1,707,765

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 DEFINED BENEFIT OPEB PLAN

Defined Benefit OPEB Plan

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

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

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

OPEB Benefits

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

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

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

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

At June 30, 2023, the District reported a liability of $79,293 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022 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, 2022, the District's proportion was 0.066061 percent which was a decrease of 0.00003211 from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized OPEB expense of $13,650. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,880	$ 682
Changes of assumptions	19,973	-
Net difference between projected and actual earnings on OPEB plan investments	10,677	-
Changes in proportion and differences between employer contributions and proportionate share of contribution	4,620	4,192
District contributions subsequent to the measurement date	8,253	-
Total	$ 45,403	$ 4,874

$8,253 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024.

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:		
2023	$	8,766
2024		8,233
2025		6,871
2026		8,406

Actuarial Assumptions

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

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

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Broad US Equities	39.00%	5.75%
International Equities	26.00%	6.00%
Core-Plus Fixed Income	35.00%	0.22%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.39%. 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.

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, 2022, calculated using the discount rate of 5.39 percent, 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 (4.39 percent) or 1-percentage-point higher (6.39 percent) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	4.39%	5.39%	6.39%
District's proportionate share of the net OPEB liability	$ 101,214	$ 79,294	$ 60,892

Pension Plan Fiduciary Net Position

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

NOTE 9 RISK MANAGEMENT

Rugby Public School District No. 5 is exposed to various risks relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. 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.

The District participates in the North Dakota Worker’s Compensation Bureau and purchases commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal periods.

NOTE 10 NONMONETARY TRANSACTIONS

The District received food commodities from the federal government to subsidize its hot lunch program. The market value of commodities received for the year ended June 30, 2023 was $39,411.

NOTE 11 EXPENDITURES IN EXCESS OF APPROPRIATIONS

The General Fund had actual expenditures in excess of budgeted appropriations in the amount of $444,636 for the year ended June 30, 2023.

The Food Service fund had actual expenditures in excess of budgeted appropriations in the amount of $87,708 for the year ended June 30, 2023. Excess will be covered in future years via transfers from the General Fund.

The Capital Projects fund had actual expenditures in excess of budgeted appropriations in the amount of $5,663,794 for the year ended June 30, 2023. Excess will be covered in future years via bond proceeds.

NOTE 12 CONTINGENT LIABILITIES

The District received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally require compliance with items and conditions specified in the grant agreements and are subject to audit by the grantor agencies. The District's management believes it has complied in all material respects with all applicable grant provisions. In the opinion of management, any possible disallowed claims would not have a material adverse effect on the overall financial position of the District as of June 30, 2023.

NOTE 13 COMMITMENTS

The District has a contract with Hartley's School Bus Service to provide rural route, activities, and winter in-city transportation for students in grades K-12. The term of the contract is from August 19, 2016 through the last day of the 2021-22 school year. The District renewed this contract with a renewal term of August 25, 2022 through the last day of the 2026-27 school year. The District pays for these services on a per-route or per-mile basis, with periodic adjustments for cost of living increases and fuel price changes. Transportation fees paid under this contract for the year ended June 30, 2023 totaled $676,329.

The District has entered a contract for the remodeling and expansion of the Ely Elementary School for a guaranteed maximum price of $10,249,368. As of June 30, 2023, $4,506,009 remains on this contract.

NOTE 14 TRANSFERS

The transfers as of June 30, 2023 consist of the following:

Transfers In	Transfers Out	Amount
Food Service Fund	General Fund	$ 20,000
Capital Projects Fund	General Fund	29,882

The transfer was made to support the Food Service Fund and Capital Projects Fund for expenses exceeding revenues.

NOTE 15 PROPERTY TAX ABATEMENTS

Pierce, Rolette, and Benson County's and certain political subdivisions within the county can negotiate property tax abatement agreements with the individuals and various commercial entities/businesses. These counties and political subdivisions within have the following types of tax abatement agreements with various individuals and commercial entities at June 30, 2023.

The District will state individually the parties whom received a benefit of the reduction in taxes of 20% or greater when compared to the total reduction of taxes for all tax abatement programs.

Public Charity Exemption

Public Charities are eligible for property tax incentives if they meet state requirements (NDCC 57-02-08(8)) and the guidelines stated below. The following criteria are only guidelines.

All buildings belonging to institutions of public charity, including public hospitals and nursing homes licensed pursuant to section 23-16-01 under the control of religious or charitable institutions, used wholly or in part for public charity, together with the land actually occupied by such institutions not leased or otherwise used with a view to profit. The exemption provided by this subsection includes any dormitory, dwelling, or residential-type structure, together with necessary land on which such structure is located, owned by a religious or charitable organization recognized as tax exempt under section 501(c)(3) of the United States Internal Revenue Code which is occupied by members of said organization who are subject to a religious vow of poverty and devote and donate substantially all of their time to the religious or charitable activities of the owner.

Property is exempt if the qualified facility is used wholly or in part for public charity, together with the land occupied by such institutions not leased or otherwise used with a view to profit.

As a result of agreements made by the counties and cities within, the School District had a reduction in taxes as noted.

Reduction in Taxes – Due to Agreements with Other Entities
Total program reduction in taxes – $151,086

New Residence

Single Family property owners are eligible for property tax incentives for the specified property that meet state requirements (NDCC 57-02-08(35)).

General Criteria – Up to one hundred fifty thousand dollars of the true and full value of all new single-family and condominium and townhouse residential property, exclusive of the land on which it is situated, is exempt from taxation for the first two taxable years after the taxable year in which construction is completed and the residence is owned and occupied for the first time if all the following conditions are met:

a. The governing body of the city, for property within city limits, or the governing body of the county, for property outside city limits, has approved the exemption of the property by resolution. A resolution adopted under this subsection may be rescinded or amended at any time. The governing body of the city or county may limit or impose conditions upon exemptions under this subsection, including limitations on the time during which an exemption is allowed.

b. Special assessments and taxes on the property upon which the residence is situated are not delinquent.

As a result of agreements made by the counties and cities within, the School District had a reduction in taxes as noted.

Reduction in Taxes – Due to Agreements with Other Entities
Total program reduction in taxes – $832

Childhood Service Exemption

A governing body of the city, for property within city limits, or of the county, for property outside city limits, may grant a property tax exemption for the portion of fixtures, buildings, and improvements, used primarily to provide early childhood services by a corporation, limited liability company, or organization licensed under NDCC 50-11.1 or used primarily as an adult day care center. (NDCC 57-02-08(36)).

This exemption is not available for property used as a residence.

As a result of agreements made by the counties and cities within, the School District had a reduction in taxes as noted.

Reduction in Taxes – Due to Agreements with Other Entities
Total program reduction in taxes – $501

NOTE 16 NEW PRONOUNCEMENTS

GASB Statement No. 99, *Omnibus 2022,* provides guidance on the following accounting matters:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.

- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statement.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62,* provides guidance on accounting and financial reporting requirements for accounting changes and error corrections. Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences,* provides guidance on the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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

NOTE 17 SUBSEQUENT EVENTS

On September 1, 2023, the District obtained a $1.7 million loan from the North Dakota Board of University and School Lands with an interest rate of 2.0%, maturing June 1, 2043, for the remodeling and expansion of the Ely Elementary school building. Subsequent events have been evaluated through December 29, 2023, which is the date these financial statements were available to be issued.

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
BUDGETARY COMPARISON SCHEDULE OF THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES			
Property Taxes	$ 2,706,508	$ 2,648,438	$ (58,070)
Other Local Sources	309,400	549,042	239,642
State Sources	5,190,738	5,245,215	54,477
Federal Sources	861,223	1,127,446	266,223
Interest	20,600	12,483	(8,117)
Total Revenues	9,088,469	9,582,624	494,155
EXPENDITURES			
Instruction:			
Regular	3,949,387	4,095,298	145,911
Special Education	584,677	599,542	14,865
Vocational Education	336,504	366,313	29,809
Total Instruction	4,870,568	5,061,153	190,585
Support Services:			
Pupil Services	654,538	578,916	(75,622)
Instructional Staff Services	423,845	369,479	(54,366)
General Administration Services	458,703	447,815	(10,888)
School Administration Services	415,785	418,135	2,350
Business Services	156,267	161,224	4,957
Operations and Maintenance	635,079	763,911	128,832
Pupil Transportation Services	763,264	705,844	(57,420)
Extracurricular	679,389	873,667	194,278
Capital Outlays	-	121,930	121,930
Total Support Services	4,186,870	4,440,921	254,051
Total Expenditures	9,057,438	9,502,074	444,636
Excess (Deficiency) of Revenues Over Expenditures	31,031	80,550	49,519
OTHER FINANCING USES			
Transfers Out	(220,000)	(49,882)	170,118
Total Other Financing Uses	(220,000)	(49,882)	170,118
Net Change in Fund Balances	(188,969)	30,668	219,637
Fund Balances - Beginning	2,108,435	2,108,435	-
Fund Balances - Ending	$ 1,919,466	$ 2,139,103	$ 219,637

See Notes to the Required Supplementary Information

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE TFFR AND NDPERS PENSION PLANS
LAST TEN YEARS

Teachers Fund for Retirement

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	$ 502,433	$ (502,433)	-	$ 3,940,676	12.75%
2022	511,114	(511,114)	-	4,008,742	12.75%
2021	509,544	(509,544)	-	4,004,449	12.72%
2020	482,214	(482,214)	-	3,782,067	12.75%
2019	445,408	(445,408)	-	3,493,393	12.75%
2018	426,354	(426,354)	-	3,343,949	12.75%
2017	424,292	(424,292)	-	3,327,781	12.75%
2016	410,724	(410,724)	-	3,221,363	12.75%
2015	392,295	(392,295)	-	3,084,775	12.72%

North Dakota Public Employees Retirement System

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	$ 69,849	$ (69,849)	-	$ 945,551	7.39%
2022	62,766	(62,766)	-	854,908	7.34%
2021	59,664	(59,664)	-	837,984	7.12%
2020	56,166	(56,166)	-	788,149	7.13%
2019	53,969	(53,969)	-	757,992	7.12%
2018	49,944	(49,944)	-	701,459	7.12%
2017	49,094	(49,094)	-	689,517	7.12%
2016	48,656	(48,656)	-	683,375	7.12%
2015	45,153	(45,153)	-	634,173	7.12%

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for prior years is not available.

See Notes to the Required Supplementary Information

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE NDPERS OPEB PLAN
LAST TEN YEARS

North Dakota Public Employees Retirement System – OPEB

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	$ 8,253	$ (8,253)	-	$ 945,551	0.87%
2022	7,849	(7,849)	-	854,908	0.92%
2021	9,553	(9,553)	-	837,984	1.14%
2020	8,985	(8,985)	-	788,149	1.14%
2019	8,641	(8,641)	-	757,992	1.14%
2018	7,997	(7,997)	-	701,459	1.14%

The District implemented GASB Statement No. 75 for its fiscal year ended June 30, 2018. Information for prior years is not available.

See Notes to the Required Supplementary Information

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST TEN YEARS

Teachers Fund for Retirement

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.5051100%	$ 7,354,671	$ 3,974,774	185.03%	67.50%
2022	0.5197242%	5,476,101	4,005,512	136.71%	75.70%
2021	0.5183320%	7,933,090	3,782,065	209.76%	63.40%
2020	0.4979690%	6,858,287	3,493,391	196.32%	65.50%
2019	0.4915467%	6,551,621	3,341,580	196.06%	65.50%
2018	0.4926886%	6,767,204	3,325,507	203.49%	63.20%
2017	0.4950282%	7,252,454	3,216,322	225.49%	59.20%
2016	0.5000360%	6,539,747	3,075,745	212.62%	62.10%
2015	0.5007200%	5,246,658	3,084,775	170.08%	66.60%

North Dakota Public Employees Retirement System

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.080420%	$ 2,316,092	$ 837,984	276.39%	54.47%
2022	0.075092%	782,684	850,330	92.04%	78.26%
2021	0.073270%	2,305,058	808,247	285.19%	48.91%
2020	0.060450%	708,494	628,763	112.68%	71.66%
2019	0.063375%	1,069,522	651,066	164.27%	63.53%
2018	0.066884%	1,075,045	682,780	157.45%	61.98%
2017	0.061802%	602,321	622,814	96.71%	70.46%
2016	0.071171%	483,951	634,043	76.33%	77.15%
2015	0.066330%	421,023	558,762	75.35%	77.70%

The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability which is June 30 of the previous fiscal year.

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for prior years is not available.

See Notes to the Required Supplementary Information

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
LAST TEN YEARS

North Dakota Public Employees Retirement System – OPEB

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.066061%	$ 79,294	$ 945,551	8.39%	56.28%
2022	0.069272%	38,527	755,239	5.10%	76.63%
2021	0.070901%	59,642	808,247	7.38%	63.38%
2020	0.056348%	45,258	628,763	7.20%	63.13%
2019	0.059501%	46,861	651,066	7.20%	61.89%
2018	0.063113%	49,923	682,780	7.31%	59.78%

The amounts presented for each fiscal year were determined as of the measurement date of the collective net OPEB liability which is June 30 of the previous fiscal year.

The District implemented GASB Statement No. 75 for its fiscal year ended June 30, 2018. Information for prior years is not available.

See Notes to the Required Supplementary Information

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

The District's Board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School District, annually on or before the last day of July must levy taxes. The governing body of the School District may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year. Taxes for School District purposes must be based upon an itemized budget statement which must show the complete expenditure by program of the District for the current fiscal year and the sources of the revenue from which it is to be financed. The School Board, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in an amount to pay the interest on the bonded debt of the District and to provide a sinking fund to pay and discharge the principal thereon at maturity. During the current year in the General Fund, actual expenditures in excess of budgeted expenditures by $444,636, the Food Service Fund had actual expenditures in excess of budgeted by $87,708, the Capital Projects Fund had actual expenditures in excess of budgeted by $5,663,794, and the Debt Service Fund had budgeted expenditures in excess of actual by $423,467.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The administration prepares the District's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.

2. The Board reviews the budget, may make revisions, and adopts the final budget on or before October 10th of each year. The budget is then filed with the county auditor by October 10th of each year.

3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10th of each year. The budget amounts shown in the financial statements are the final authorized amounts.

4. All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

NOTE 2 CHANGES OF BENEFIT TERMS

NDPERS

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

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, 2020.

NOTE 3 CHANGES OF ASSUMPTIONS

TFFR

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 and 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 disability mortality was updated to the PubNS-2010 Non-Safety Disabled Mortality 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

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

OPEB

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

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
BUDGETARY COMPARISON SCHEDULE OF THE CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES			
Property Taxes	$ 163,922	$ 160,650	$ (3,272)
Other Local Sources	5,000	206,235	201,235
Interest	200	2,592	2,392
Total Revenues	169,122	369,477	200,355
EXPENDITURES			
Support Services:			
Operations and Maintenance	-	769,275	769,275
Capital Projects	300,000	5,188,217	4,888,217
Debt Service:			
Principal	7,700	12,965	5,265
Interest	-	1,037	1,037
Total Support Services	307,700	5,971,494	5,663,794
Total Expenditures	307,700	5,971,494	5,663,794
Excess (Deficiency) of Revenues Over Expenditures	(138,578)	(5,602,017)	(5,463,439)
OTHER FINANCING SOURCES (USES)			
Proceeds From Long-Term Debt, Net	-	4,707,096	4,707,096
Transfers In	150,000	29,882	(120,118)
Total Other Financing Sources (Uses)	150,000	4,736,978	4,586,978
Net Change in Fund Balances	11,422	(865,039)	(876,461)
Fund Balance - Beginning	485,822	485,822	-
Fund Balance - Ending	$ 497,244	$ (379,217)	$ (876,461)

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
BUDGETARY COMPARISON SCHEDULE OF THE DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES			
Property Taxes	$ 656,314	$ 641,607	$ (14,707)
Federal Sources	294,000	298,743	4,743
Gain on Fair Value of Investments	-	6,805	6,805
Interest	-	5,646	5,646
Total Revenues	950,314	952,801	2,487
EXPENDITURES			
Debt Service:			
Principal	420,000	145,000	(275,000)
Interest	514,525	366,058	(148,467)
Total Debt Service	934,525	511,058	(423,467)
Total Expenditures	934,525	511,058	(423,467)
Net Change in Fund Balances	15,789	441,743	425,954
Fund Balance - Beginning	5,880,643	5,880,643	-
Fund Balance - Ending	$ 5,896,432	$ 6,322,386	$ 425,954

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
BUDGETARY COMPARISON SCHEDULE OF THE FOOD SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES			
Other Local Sources	$ 261,050	$ 257,142	$ (3,908)
State Sources	1,800	2,353	553
Federal Sources	215,000	261,667	46,667
Total Revenues	477,850	521,162	43,312
EXPENDITURES			
Support Services:			
Food Service	505,533	599,241	93,708
Capital Outlays	6,000	-	(6,000)
Total Support Services	511,533	599,241	87,708
Total Expenditures	511,533	599,241	87,708
Excess (Deficiency) of Revenues Over Expenditures	(33,683)	(78,079)	(44,396)
OTHER FINANCING SOURCES			
Transfers In	35,000	20,000	(15,000)
Total Other Financing Sources	35,000	20,000	(15,000)
Net Change in Fund Balances	1,317	(58,079)	(59,396)
Fund Balance - Beginning	71,502	71,502	-
Fund Balance - Ending	$ 72,819	$ 13,423	$ (59,396)

BradyMartz

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 President and Board Members
Rugby Public School District No. 5
Rugby, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Rugby Public School District No. 5 as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Rugby Public School District No. 5's basic financial statements, and have issued our report thereon dated December 29, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rugby Public School District No. 5'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 Rugby Public School District No. 5's internal control. Accordingly, we do not express an opinion on the effectiveness of Rugby Public School District No. 5'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 over financial reporting 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 are not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-001, 2023-002, and 2023-003 to be significant deficiencies.

Report on Compliance and Other Matters

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

The District's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Rugby Public School District No. 5's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Rugby Public School District No. 5's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

December 29, 2023

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

To the Board of Education
Rugby Public School District No. 5
Rugby, North Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Rugby Public School District No. 5'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 Rugby Public School District No. 5's major federal programs for the year ended June 30, 2023. Rugby Public School District No. 5'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, Rugby Public School District No. 5, complied, in all material respects, with the types of 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, 2023.

Basis for Opinion on Each Major 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 Rugby Public School District No. 5 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 Rugby Public School District No. 5'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 Rugby Public School District No. 5'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 Rugby Public School District No. 5'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 Rugby Public School District No. 5'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 Rugby Public School District No. 5'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 Rugby Public School District No. 5'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 Rugby Public School District No. 5'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

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 and therefore, material

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weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-003 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on Rugby Public School District No. 5's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Rugby Public School District No. 5's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

December 29, 2023

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RUGBY PUBLIC SCHOOL DISTRICT NO. 5
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

AL #	Description	Pass-Through Entity Identifying Number	Expenditures
Department of Education			
Passed Through the North Dakota State Department of Public Instruction			
84.010	Chapter 1/TITLE I-Compensatory	F84010	$ 193,340
84.367	Title II Part A - Teacher and Principal Quality	F84367	53,580
84.371	ND Striving Readers Comprehensive Literacy	F84371	231,054
84.424	Title IV Transferability	F84424	26,814
84.425D	COVID-19 Education Stabilization Fund	F84425D	104,452
84.425R	COVID-19 EANS	F84425R	24,608
84.425U	COVID-19 Education Stabilization Fund	F84425U	401,168
Passed Through North Dakota Department of Human Services			
84.425	COVID-19 Best in Class		75,126
	Total 84.425		605,354
Passed Through Drake-Anamoose Public School District			
84.048	Carl Perkins	F84048	17,303
Total Department of Education			1,127,445
Department of Agriculture			
Passed Through the North Dakota State Department of Public Instruction			
	Child Nutrition Cluster:		
10.555	Child Nutrition - School Lunch - Commodities	F10555	39,411
10.553	Child Nutrition - School Breakfast	F10553	35,868
10.555	Child Nutrition - School Lunch	F10555	144,807
10.582	Fruit and Vegetable Grant	F10582	15,848
10.555	School Supply Chain Assistance	F10555	22,413
	Total Cluster		258,347
10.560	State Administrative Expenses for Child Nutrition	F10560	3,319
Total Department of Agriculture			261,666
	TOTAL		$ 1,389,111
	Federal Revenues per page 16		$ 1,687,856
	Internal Revenue Service Interest Subsidy on Qualified School Construction Bonds		(298,745)
	Total Schedule of Expenditures of Federal Awards		$ 1,389,111

See Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule of Expenditures of Federal Awards (the "Schedule") are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 2 INDIRECT COST RATE

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

NOTE 3 BASIS OF PRESENTATION

The accompanying Schedule includes the federal award activity of Rugby Public School District No. 5 under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* 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 Rugby Public School District No. 5, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE 4 PASS-THROUGH ENTITIES

All pass-through entities listed above use the same Assistance Listing (AL) numbers as the federal grantors to identify these grants, and have not assigned any additional identifying numbers.

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	___ Yes _X_ No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_X_ Yes ___ None Reported
Non-compliance material to financial statements noted?	___ Yes _X_ No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	___ Yes _X_ No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_X_ Yes ___ None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ Yes _X_ No

Identification of major programs:

AL Number(s)	Name of Federal Program of Cluster
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	_X_ Yes ___ No

SECTION II – FINANCIAL STATEMENT FINDINGS

2023-001 Finding

Criteria
The District does not identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP).

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

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

Recommendation
We recommend the entity 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 entity 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.

Repeat Finding
This is a repeat finding of 2022-001

Management's Response
The District will continue to have the auditor prepare the financial statements; however, the District has established an internal control policy to document the annual review of the financial statements.

2023-002 Finding

Criteria
To provide reasonable assurance that segregation of duties take place while also taking into account the size of the District.

Condition
The District has one employee who is responsible for all accounting functions involved. The employee has access to all income monies, receipt documents, issuance of checks, and bank statements and reconciliations. The employee also maintains the general ledger.

Cause
There is only one business manager and due to the District's size, they are unable to hire more staff.

Effect
Lack of segregation of duties leads to a limited degree of internal control.

Recommendation
The District should separate the duties when it becomes feasible. As a compensating control, the District should ensure additional oversight by the superintendent and board regarding financial transaction activity.

Repeat Finding
This is a repeat finding of 2022-002

Management's Response
The Superintendent reviews and signs off on all bank statements and reconciliations. The Superintendent also reviews and signs off on the payroll direct deposit report prior to releasing payroll to individual's accounts. Procedures have been implemented when feasible to promote the segregation of duties. Funds are counted by individuals in charge of the account prior to being given to the Business Manager or Executive Administrative Assistant to receipt and deposit at the financial institutions. The Board reviews and approves all checks written.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2023-003 – Activities Allowed or Unallowed; Allowable Costs/Cost Principles

Federal Program
84.425 Higher Education Emergency Relief Fund

Criteria
The District should maintain a system of internal controls approving expenditures incurred.

Condition
The District did not follow their system of internal controls for all expenditures incurred.

Questioned Costs
None.

Context
A sample of forty (40) transactions were tested. Of the transactions tested, two were found to not have the proper approvals as per District policy.

Effect
District is not in compliance with their internal control policies.

Cause
Expenditures were incurred that were not approved by the Superintendent, as required by the Districts internal control policies.

Recommendation
The District should ensure that all expenditures are following the proper internal control processes.

Repeat Finding
This is not a repeat finding

View of Responsible Officials
See corrective action plan.

2022-001 Finding

Criteria
The District does not identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP).

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

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

Recommendation
We recommend the entity 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 entity 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.

Management's Response
The District will continue to have the auditor prepare the financial statements; however, the District has established an internal control policy to document the annual review of the financial statements.

Current Year Status
See current year finding 2023-001.

2022-002 Finding

Criteria
To provide reasonable assurance that segregation of duties take place while also taking into account the size of the District.

Condition
The District has one employee who is responsible for all accounting functions involved. The employee has access to all income monies, receipt documents, issuance of checks, and bank statements and reconciliations. The employee also maintains the general ledger.

Cause
There is only one business manager and due to the District's size, they are unable to hire more staff.

Effect
Lack of segregation of duties leads to a limited degree of internal control.

Recommendation
The District should separate the duties when it becomes feasible. As a compensating control, the District should ensure additional oversight by the superintendent and board regarding financial transaction activity.

Management's Response
The Superintendent reviews and signs off on all bank statements and reconciliations. The Superintendent also reviews and signs off on the payroll direct deposit report prior to releasing payroll to individual's accounts. Procedures have been implemented when feasible to promote the segregation of duties. Funds are counted by individuals in charge of the account prior to being given to the Business Manager or Executive Administrative Assistant to receipt and deposit at the financial institutions. The Board reviews and approves all checks written.

Current Year Status
See current year finding 2023-002.

Rugby Public School District #5

Board of Education

Dustin Hager, President
Carlie Johnson, Vice President
Nick Schmaltz
Kristi Blessum
Chad Duchscher
Dawn Hauck, Business Mgr.

Administration

Michael McNeff, Superintendent
Jason Gullickson, Ely Elementary Principal
Jared Blikre, Junior/Senior High Principal

1123 South Main Avenue
Rugby, North Dakota 58368
Phone: (701) 776-5201
Fax: (701) 776-5091

CORRECTIVE ACTION PLAN
JUNE 30, 2023

2023-001 Finding

Contact Person – Mike McNeff, Superintendent

Corrective Action Plan – Will document review of financial statements and notes.

Completion Data – Ongoing

2023-002 Finding

Contact Person – Mike McNeff, Superintendent

Correcting Plan – The District has the following procedures to mitigate the risk:

1) Review and approval of journal entries by Superintendent.
2) Board approves checks.
3) Superintendent periodically reviews bank statement before turning it over to the business office for reconciliation.

Completion Data – Ongoing

2023-003 Finding

Contact Person – Mike McNeff, Superintendent

Correcting Plan – The Superintendent and the Business Manager will work together to ensure that all expenditures incurred will follow internal control policies.

Completion Data – Ongoing

The Rugby Public School District #5 does not discriminate on the basis of race, color, national origin, sex, handicap, or age in its educational programs/activities and employment policies/practices