HAGA KOMMER
CERTIFIED PUBLIC ACCOUNTANTS

HAZEN PUBLIC SCHOOL DISTRICT NO. 3

AUDIT REPORT

JUNE 30, 2023

HAZEN PUBLIC SCHOOL DISTRICT NO. 3
HAZEN, NORTH DAKOTA

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HAGA KOMMER
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Governing Board
Hazen Public School District No. 3
Hazen, North Dakota

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hazen Public School District No. 3, Hazen, North Dakota, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hazen Public School District No. 3, Hazen, North Dakota 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hazen Public School District No. 3, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hazen Public School District No. 3's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional 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 Hazen Public School District No. 3's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made my 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 Hazen Public School District No. 3'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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the District's share of net pension liability and employer contributions – ND Teachers' Fund for Retirement on page 33, the District's share of net pension liability and employer contributions – ND Public Employees Retirement System on page 34, the District's share of net OPEB liability and employer contributions – ND Public Employees Retirement System on page 35, the budgetary comparison information on page 36, and the notes to the required supplementary information on pages 37 to 38 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report September 27, 2024, on our consideration of Hazen Public School District No. 3's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hazen Public School District No. 3's internal control over financial reporting and compliance.

Haga Kommer, Ltd.
Haga Kommer, Ltd.
Mandan, North Dakota
September 27, 2024

HAZEN PUBLIC SCHOOL DISTRICT NO. 3
Statement of Net Position
June 30, 2023

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	$ 595,585
Investments	1,347,767
Due from Other Governments	5,270
Accounts Receivable, Net	607,703
Taxes Receivable, Net	88,741
Capital Assets, Net of Depreciation	3,861,177
Total Assets	6,506,243
DEFERRED OUTFLOWS OF RESOURCES	
Derived from Pensions and OPEB	2,556,079
LIABILITIES	
Accrued Salaries & Benefits	512,082
Accounts Payable	19,038
Long-Term Liabilities:	
Portion Due or Payable within One Year	
Note Payable	23,763
Portion Due or Payable after One Year	
Net Pension and OPEB Liability	7,777,569
Bonds Payable	335,000
Note Payable	24,719
Compensated Absences	98,063
Total Liabilities	8,790,234
DEFERRED INFLOWS OF RESOURCES	
Derived from Pensions and OPEB	1,214,499
NET POSITION	
Net Investment in Capital Assets	3,477,695
Restricted for:	
Capital Projects	146,948
Debt Service	13,884
Unrestricted	(4,580,938)
Total Net Position	$ (942,411)

The accompanying notes are an integral part of this statement.

HAZEN PUBLIC SCHOOL DISTRICT NO. 3
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants & Contributions	Net (Expense) Revenue & Changes in Net Position: Governmental Activities
Governmental Activities				
Instruction & Instruction-Related Services	$ 4,747,190	$ -	$ 509,962	$ (4,237,228)
School Administration & Support Services	1,645,193	20,324	-	(1,624,869)
Student Support Services	2,234,121	616,238	195,048	(1,422,835)
Community Services	10,840	-	-	(10,840)
Interest & Fees Expense	14,394	-	-	(14,394)
Total Primary Government	$ 8,651,738	$ 636,562	$ 705,010	(7,310,166)

General Revenues	
Taxes:	
Property Taxes, Levied for General Purpose	963,568
Property Taxes, Levied for Capital Projects	228,473
Property Taxes, Levied for Debt Service	90,653
Property Taxes, Levied for Special Reserve	47,926
Coal Funding and Mineral Resources	944,445
State Aid	4,515,991
Unrestricted Investment Earnings	(19,236)
Other Revenues	106,021
Total General Revenues	6,877,841
Change in Net Position	(432,325)
Net Position - Beginning of Year	(510,086)
Net Position - End of Year	$ (942,411)

The accompanying notes are an integral part of this statement.

HAZEN PUBLIC SCHOOL DISTRICT NO. 3
Balance Sheet - Governmental Funds
June 30, 2023

	Major Fund		Other Governmental Funds	Total Governmental Funds
	General	Food Service		
ASSETS				
Cash and Cash Equivalents	$ 15,485	$ 266,920	$ 313,180	$ 595,585
Investments	1,347,767	-	-	1,347,767
Due from County Treasurer	3,825	-	1,445	5,270
Accounts Receivable, Net	607,703	-	-	607,703
Taxes Receivable, Net	63,114	-	25,627	88,741
Due from General Fund	-	-	200,000	200,000
Due from Building Fund	451	-	-	451
TOTAL ASSETS	$ 2,038,345	$ 266,920	$ 540,252	$ 2,845,517
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accrued Salaries & Benefits	$ 512,082	$ -	$ -	$ 512,082
Accounts Payable	19,038	-	-	19,038
Due to General Fund	-	-	451	451
Due to Special Reserve Fund	200,000	-	-	200,000
Total Liabilities	731,120	-	451	731,571
Deferred Inflows of Resources:				
Uncollected Taxes	63,114	-	25,627	88,741
Total Liabilities and Deferred Inflows of Resources	794,234	-	26,078	820,312
Fund Balances:				
Restricted				
Capital Projects	-	-	130,427	130,427
Debt Service	-	-	7,665	7,665
Assigned				
Food Service	-	266,920	-	266,920
Consortium	-	-	8,256	8,256
Special Reserve	-	-	197,002	197,002
Student Activities	-	-	170,824	170,824
Unassigned	1,244,111	-	-	1,244,111
Total Fund Balances	1,244,111	266,920	514,174	2,025,205
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 2,038,345	$ 266,920	$ 540,252	$ 2,845,517

Total fund balances - governmental funds	$ 2,025,205
Total net position reported for *governmental activities* in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is $21,868,126, and the accumulated depreciation is $18,006,949.	3,861,177
Deferred outflows of resources are not a financial resource available for the current period and, therefore, are not reported in the governmental funds balance sheet.	2,556,079
The net pension and OPEB liability is not due and payable in the current period and, therefore, is not reported in the governmental funds balance sheet.	(7,777,569)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.	(1,214,499)
Property taxes receivable will be collected this year but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenues in the funds.	88,741
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the statement of net position. Balances at June 30, 2023 are:	
Bonds Payable	(335,000)
Note Payable	(48,482)
Compensated absences	(98,063)
Net position of governmental activities	$ (942,411)

The accompanying notes are an integral part of this statement.

HAZEN PUBLIC SCHOOL DISTRICT NO. 3
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2023

	Major Fund			
	General	Food Service	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property Taxes	$ 952,183	$ -	$ 363,043	$ 1,315,226
Coal Funding and Mineral Resources	944,445	-	-	944,445
Fees and Charges	37,938	273,561	53,527	365,026
State Aid	4,581,387	1,148	-	4,582,535
Federal Aid	444,566	193,900	-	638,466
Earnings on Investments	22,072	496	926	23,494
Student Activities	-	-	357,134	357,134
Miscellaneous	20,423	-	-	20,423
TOTAL REVENUES	7,003,014	469,105	774,630	8,246,749
EXPENDITURES				
Current:				
Regular Education Programs	3,310,333	-	-	3,310,333
Title I	99,475	-	-	99,475
Other Federal Programs	381,140	-	-	381,140
Improvement of Instruction Service	12,825	-	-	12,825
Instructional Media Service	142,217	-	-	142,217
Other Instruction Support Service	79,147	-	-	79,147
School Board	168,992	-	-	168,992
Executive Administration	238,704	-	-	238,704
Supportive Service - Business	190,457	-	-	190,457
Other Support Services	115,865	-	-	115,865
Operation & Maintenance	809,420	-	-	809,420
Support Services Central	219,529	-	-	219,529
Student Activities	251,349	-	437,690	689,039
Student Transportation	499,456	-	-	499,456
Services Provided Another LEA	28,324	-	-	28,324
Vocational Education	406,094	-	-	406,094
Special Education	155,648	-	-	155,648
Adult Education/Community Services	2,208	-	8,632	10,840
Food Service	8,545	522,489	-	531,034
Capital Outlay	-	-	26,930	26,930
Debt Service:				
Fees	-	-	525	525
Principal	-	-	187,844	187,844
Interest	-	-	13,869	13,869
TOTAL EXPENDITURES	7,119,728	522,489	675,490	8,317,707
Excess (Deficiency) of Revenues Over (Under) Expenditures	(116,714)	(53,384)	99,140	(70,958)
OTHER FINANCING SOURCES (USES)				
Unrealized Gain (Loss) on Investments	(42,730)	-	-	(42,730)
Transfers In (Out)	46,951	-	(46,951)	-
TOTAL OTHER FINANCING SOURCES (USES)	4,221	-	(46,951)	(42,730)
NET CHANGE IN FUND BALANCES	(112,493)	(53,384)	52,189	(113,688)
Fund Balances - July 1, 2022	1,356,604	320,304	461,985	2,138,893
FUND BALANCES - JUNE 30, 2023	$ 1,244,111	$ 266,920	$ 514,174	$ 2,025,205

The accompanying notes are an integral part of this statement.

HAZEN PUBLIC SCHOOL DISTRICT NO. 3
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		$ (113,688)
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The effect of various transactions involving capital assets consist of:		
Current Year Capital Outlay	$ 104,831	
Current Year Depreciation Expense	(603,499)	(498,668)
The proceeds of debt issuances are reporting as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of the repayment of debt:		
Repayment of Debt	187,844	
		187,844
Governmental funds report the pension and OPEB expense as accrued for actual salaries paid in the expenditures. However in the statement of activities, the pension and OPEB expense is an actuarial calculation of the cost of the plan accounting for projected future benefits, plan earnings, and contributions.		(33,177)
Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds. Deferred tax revenues increased by this amount this year.		15,394
Compensated absences is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Net Increase in Compensated Absences		9,970
Change in net position of governmental activities		$ (432,325)

 The accompanying notes are an integral part of this statement.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hazen Public School District No. 3 complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The more significant of the District's accounting policies are described below.

Reporting Entity

In accordance with Governmental Accounting Standards Board Statement No. 14 *The Financial Reporting Entity*, for financial reporting purposes the District's financial statements include all accounts of the District's operations. The criteria for including organizations as component units within the District's reporting entity include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is a fiscal dependency by the organization on the District

The District receives funding from local, county, state and federal government sources and must comply with the concomitant requirements of these funding source entities. But, based upon the criteria of Statement No. 14, there are no component units to be included within the District as a reporting entity and the District is not includable as a component unit within another reporting entity.

Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are supported by taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Currently, the District does not classify any activities as business-type.

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Separate statements are presented for governmental, proprietary and fiduciary activities. The District has no proprietary or fiduciary activities at this time. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The District has presented the following major funds:

General Fund: The General Fund is the main operating fund of the District. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Food Service Fund: The Food Service Fund provides nutritionally balanced lunches to children each school day.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when transactions are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

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

Interfund Transactions

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of governmental funds.

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Encumbrance Accounting

Encumbrances are commitments related to unperformed contracts for goods and services that may be recorded for budgetary control purposes. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. No reservation of fund balances is provided at year-end.

Cash, Cash Equivalents

Cash and cash equivalents consist of amounts in demand deposits, savings accounts, and certificates of deposit with a maturity of three months or less when purchased.

Investments

Investments are recorded at fair value as required by GASB Statement No. 72, *Fair Value Measurement and Application*. The District has not adopted a policy limiting the amount that can be invested with any one issuer.

Inventory

A food inventory for the Food Service Fund is not recorded at year end because it is immaterial. School supplies are considered to be an expense in the year they are appropriated.

Capital Assets

Capital assets including land, buildings, improvements, equipment and vehicles, are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value of the asset at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Renewals and betterments are capitalized.

Capital assets are defined by the District as assets with an initial, individual cost of $5,000 or more and a useful life of more than one year. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	50 years
Improvements	10 – 20 years
Equipment and Vehicles	6 – 15 years

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the school board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Balance Classifications

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

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

> *Restricted* – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
>
> *Committed* – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the school board – the District's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the school board removed the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
>
> *Assigned* – This classification reflects the amounts constrained by the District's "intent" to be used for special purposes, but are neither restricted nor committed. The school board and superintendent have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.
>
> *Unassigned* – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

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

Deferred Inflows/Outflows of Resources

Deferred inflows of resources in the fund financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available and include uncollected taxes.

In addition to assets, the statement of net position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. 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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. See Note 10 for additional information.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Pensions

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

Other Post Employment Benefit (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.

NOTE 2 DEPOSITS – CASH AND INVESTMENTS

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

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

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the state of North Dakota, its boards, agencies, or instrumentalities, or by any county, city, township, school district, park district, or other political subdivision of the state of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing entity, and bonds issued by any other state of the United States or such other securities approved by the banking board.

Custodial Credit Risk

As of June 30, 2023, the District's carrying balances were $748,212 for governmental funds, including certificates of deposit. The bank balance of these deposits as of June 30, 2023, was $973,846. Of the bank balances, $402,667 was covered by Federal Depository Insurance and National Credit Union Administration Insurance, and $571,179 was collateralized with securities held by the pledging financial institutions' agent not in the District's name.

NOTE 2 DEPOSITS – CASH AND INVESTMENTS – CONTINUED

Credit Risk and Interest Rate Risk

The District may invest idle funds as authorized in North Dakota statutes, as follows:

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

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

(c) Certificates of deposit fully insured by the Federal Deposit Insurance Corporation.

(d) Obligations of the state.

(e) Commercial paper issued by a United States corporation rated in the highest quality category by at least two nationally recognized rating agencies and matures in two hundred seventy days or less.

The investments of the District include fixed income bonds held by Piper Sandler and First Financial Equity Corporation, and certificates of deposit held by the District at local financial institutions. At June 30, 2023, the District's investments had interest rates from 0.38 percent to 2.23 percent with maturities of 15 months or greater. Following is a summary of investments by type:

Investment Type	Total Fair Value	Less than 1 Year	1-13 Years
Bonds held by Piper Sandler	$ 113,818	$ -	$ 113,818
Bonds held by Cetera Advisor Networks LLC	1,081,322	-	1,081,322
Certificates of Deposit	152,627	-	152,627
Total	$ 1,347,767	$ -	$ 1,347,767

Credit risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligations. The District does not have an investment policy that specifically addresses credit risk.

NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with GASB Statement No. 72, assets, deferred outflows of resources, liabilities and deferred inflows of resources are grouped at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS – CONTINUED

Level 2: Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The following table below presents the balances of assets, deferred outflow of resources, and deferred inflow of resources measured at fair value on a recurring basis at June 30, 2023.

ASSETS	TOTAL	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Bonds	$ 1,195,140	$ -	$ 1,195,140	$ -
	$ 1,195,140	$ -	$ 1,195,140	$ -

NOTE 4 PROPERTY TAX

Under state law, the District is limited in its ability to levy property taxes. All school tax levies are in compliance with state laws. Property taxes attach as an enforceable lien on property on January 1. A 5% reduction is allowed if paid by February 15th. Penalty and interest are added March 1st unless the first half of the taxes has been paid. Additional penalties are added October 15th if not paid. Taxes are collected by the county and remitted monthly to the school.

In its fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end. Taxes receivable consist of current and delinquent uncollected taxes at June 30. No allowance has been established for estimated uncollectible taxes because an offsetting deferred revenue has been recorded.

In the government-wide financial statements, property taxes are recorded as a receivable and revenue when assessed.

NOTE 5 CAPITAL ASSETS

Capital assets consist of the following as of June 30, 2023:

	Balance July 1	Increases	Decreases	Balance June 30
Capital assets not being depreciated:				
Land	$ 37,500	$ -	$ -	$ 37,500
Total Capital Assets Not Being Depreciated	37,500	-	-	37,500
Capital assets being depreciated:				
Land Improvements	1,145,741	-	-	1,145,741
Buildings	13,258,403	-	-	13,258,403
Building Improvements	4,691,483	-	-	4,691,483
Equipment	2,048,378	104,830	-	2,153,208
Tech Equipment	383,591	-	-	383,591
Vehicles	198,200	-	-	198,200
Total Capital Assets Being Depreciated	21,725,796	104,830	-	21,830,626
Less accumulated depreciation for				
Land Improvements	630,776	44,723	-	675,499
Buildings	10,906,077	229,187	-	11,135,264
Building Improvements	4,113,202	119,571	-	4,232,773
Equipment	1,413,472	169,503	-	1,582,975
Tech Equipment	208,209	31,962	-	240,171
Vehicles	131,714	8,553	-	140,267
Total Accumulated Depreciation	17,403,450	603,499	-	18,006,949
Total Capital Assets Being Depreciated, Net	4,322,346	(498,669)	-	3,823,677
Total Capital Assets, Net	$ 4,359,846	$ (498,669)	$ -	$ 3,861,177

Depreciation expense for the year ended June 30, 2023 was $603,499 and has been reported in the government-wide statement of activities. Depreciation expense was charged to functions/programs of the District as follows:

Functions/Programs	Amount
Instruction & Instruction-Related Services	$ 301,750
School Administration & Support Services	150,875
Student Support Services	150,874
Total Depreciation Expense	$ 603,499

NOTE 6 LONG-TERM DEBT

Following is a summary of long-term debt activity for the year ended June 30, 2023:

	** Compensated Absences	Note Payable	Bonds Payable	Total
Payable, June 30, 2022	$ 108,033	$ 71,327	$ 500,000	$ 679,360
Paid	(9,970)	(22,845)	(165,000)	(197,815)
Payable, June 30, 2023	$ 98,063	$ 48,482	$ 335,000	$ 481,545

** The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost.

At June 30, 2023, bonds payable includes the following:

General Obligation Building Fund Bonds for $1,925,000; dated December 12, 2011; due in semi-annual payments from August 1, 2012 through August 1, 2025; interest at 0.60 percent to 2.20 percent.

Principal and interest payments required for the bond are as follows:

For the year ending June 30,	Principal	Interest	Total
2024	$ -	$ 3,685	$ 3,685
2025	165,000	5,555	170,555
2026	170,000	1,870	171,870
	$ 335,000	$ 11,110	$ 346,110

At June 30, 2023, note payable includes the following:

Note Payable for football field lighting system for $114,400; dated July 29, 2019; due in annual payments from July 29, 2020 through July 29, 2024; interest at 3.95 percent.

Principal and interest payments required for the lease are as follows:

For the year ending June 30,	Principal	Interest	Total
2024	$ 23,763	$ 1,950	$ 25,713
2025	24,719	994	25,713
	$ 48,482	$ 2,944	$ 51,426

NOTE 7 DUE FROM OTHER GOVERNMENTS

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

NOTE 8 DUE FROM COUNTY TREASURER

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

NOTE 9 ACCRUED SALARIES AND BENEFITS

Salaries and benefits payable consists of salaries earned by employees but not paid until after year-end. It also consists of benefits owed to federal, state, and private agencies for amounts withheld from teacher's salaries as of June 30.

NOTE 10 DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (PENSIONS)

Details of the Deferred Outflows of Resources and Deferred Inflows of Resources on the face of the financial statements as of June 30, 2023, are as follows:

Deferred Outflows of Resources	
Derived from pension - TFFR	$ 1,307,821
Derived from pension - NDPERS	1,211,086
Derived from pension - OPEB	37,172
Total	$ 2,556,079
Deferred Inflows of Resources	
Derived from pension - TFFR	$ 476,788
Derived from pension - NDPERS	733,893
Derived from pension - OPEB	3,818
Total	$ 1,214,499

Note 11 of the financial statements contains detail of the pension plans.

NOTE 11 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)

1. 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.

NOTE 11 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)- CONTINUED

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 must 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 or 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.

NOTE 11 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)- CONTINUED

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 disability benefit is computed by the retirement formula in NDCC Section 15-39.1-10 without consideration of age and uses the member's actual years of credited service. There is no actuarial reduction for reason of disability retirement.

Member and Employer Contributions

Member and employer contributions paid to TFFR are set by NDCC Section 15-39.1-09. Every eligible teacher in the State of North Dakota is required to be a member of TFFR and is assessed at a rate of 11.75% of salary as defined by NDCC Section 15-39.1-04. Every governmental body employing a teacher must also pay into TFFR a sum equal to 12.75% of the teacher's salary. Member and employer contributions will be reduced to 7.75% each when the fund reaches 100% funded ratio on an actuarial basis.

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70½. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

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

At June 30, 2023, the District reported a liability of $5,998,148 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 District's proportion of the net pension liability was based on the District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2022, the District's proportion was 0.41194573% which was an increase of 0.02048630% from its proportion measured as of July 1, 2021.

For the year ended June 30, 2023, the District recognized pension expense of $285,030. 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 experience	$ 25,849	$ 160,148
Change of assumptions	121,967	-
Net difference between projected and actual earnings on pension plan investments	449,270	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	294,237	316,640
Employer contributions subsequent to the measurement date (see below)	416,498	-
Total	$ 1,307,821	$ 476,788

NOTE 11 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)– CONTINUED

$416,498 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 pensions liability in the year ended 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:

For the year ended June 30,	
2024	$ 14,570
2025	(9,277)
2026	(101,631)
2027	403,680
2028	38,343
Thereafter	68,850

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

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

The TFFR Board is responsible for establishing investment policy for the fund assets under NDCC 15-39.1-05.2. Benefit payments are projected to occur over a long period of time. This allows TFFR to adopt a long-term investment horizon and asset allocation policy for the management of fund assets. Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the Board in determining an acceptable volatility target for the fund and an optimal asset allocation policy mix. This asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk, including the resulting estimated impact of funded status and contribution rates.

NOTE 11 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)– CONTINUED

The long-term expected rate of return on TFFR investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's 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%	6.61%
Global Fixed Income	26%	0.35%
Global Real Assets	18%	4.60%
Cash Equivalents	1%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.25 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 TFFR 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 District's 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 (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Employer's proportionate share of the net pension liability	$ 8,240,905	$ 5,998,148	$ 4,138,063

NOTE 11 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)– CONTINUED

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.

2. North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

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

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.

NOTE 11 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)– CONTINUED

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.

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 $1,712,891 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and 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 0.059474 percent which was a decrease of 0.002737 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of $224,165. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 11 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)– CONTINUED

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 8,934	$ 32,719
Changes of assumptions	1,024,334	635,030
Net difference between projected and actual earnings on pension plan investments	62,691	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	55,418	66,144
Employer contributions subsequent to the measurement date (see below)	59,709	-
Total	$ 1,211,086	$ 733,893

$59,709 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 ended 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:

For the year ended June 30,	
2024	$ 111,262
2025	145,143
2026	8,226
2027	152,853
2028	-
Thereafter	-

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 adjustments	None

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

NOTE 11 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)– CONTINUED

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

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

Discount Rate

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

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

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

NOTE 11 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)– CONTINUED

Sensitivity of the Employer'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 District'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 (4.10%)	Current Discount Rate (5.10%)	1% Increase (6.10%)
Employer's proportionate share of the net pension liability	$ 2,260,898	$ 1,712,891	$ 1,262,996

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report. That report may be obtained by writing to NDPERS; 1600 E Century, Suite 2; PO Box 1657; Bismarck, ND 58503.

3. North Dakota Public Employees Retirement System (OPEB)

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.

NOTE 11 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)– CONTINUED

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, 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 $66,530 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 District's proportion of the net OPEB liability was based on the District'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 0.055427 percent, which was a decrease of 0.001743 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023 the District recognized OPEB expense of $11,459. 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	$ 1,576	$ 572
Change of assumptions	16,758	-
Net difference between projected and actual earnings on OPEB plan investments	8,958	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,357	3,246
Employer contributions subsequent to the measurement date (see below)	6,523	-
Total	$ 37,172	$ 3,818

$6,523 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 ended June 30, 2024.

NOTE 11 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)– CONTINUED

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

For the year ended June 30,	
2024	$ 6,818
2025	5,303
2026	7,351
2027	-
2028	-
Thereafter	-

Actuarial assumptions

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

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

For active members, inactive members and healthy retirees, mortality rates were based on the Mortality Pub -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, 2021 are summarized in the following table:

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

NOTE 11 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)– CONTINUED

Discount rate. The discount rate used to measure the total OPEB liability was 5.75%. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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%, 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 (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
Employer's proportionate share of the net OPEB liability	$ 84,921	$ 66,530	$ 51,090

NOTE 12 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The following are funds/pools established by the State for risk management issues.

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 insurance coverage. The coverage by NDIRF is limited to losses of $2,000,000 per occurrence.

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

The District continues to carry commercial insurance for all other risks of loss, North Dakota fire and tornado fund, and employee health and accident insurance. There have been no significant reductions in insurance coverage from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 13 EXPENDITURES IN EXCESS OF BUDGET

For the fiscal year ended June 30, 2023, certain individual line items were over in the general fund budget, but as a whole the expenditures were under budget. No remedial action is anticipated.

NOTE 14 INTERFUND TRANSFER

For the fiscal year ended June 30, 2023, the special reserve fund transferred $100,000 to the general fund to cover for funds that were insufficient for payroll expenses. The general fund transferred $53,049 to cover the deficit in the student activity fund.

NOTE 15 INTERFUND PAYABLE/RECEIVABLE

At June 30, 2023, the District recorded an interfund loan amount of $200,000 from the special reserve fund to the general fund. After deposits of awaited state funds in the general fund, the interfund loan was repaid to the special reserve fund on July 31, 2023.

NOTE 16 TAX ABATEMENTS

Hazen Public School District and political subdivisions within Mercer County can negotiate property tax abatement agreements with individuals and various commercial entities/businesses. Mercer County and the 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.

Religious Organization Exemption

All buildings owned by any religious corporation or organization and used exclusively for religious purposes of the organization that meet state requirements of (NDCC 57-02-09) are eligible for property tax incentives.

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.

All buildings belonging to institutions of public charity, including public hospitals and nursing homes licenses 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 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.

NOTE 16 TAX ABATEMENTS – CONTINUED

Renaissance Zone Incentives

The City of Hazen has approved special tax incentives for renaissance zone projects that meet state requirements (NDCC 40-63-05) as follows:

- A municipality may grant a partial or complete exemption from ad valorem taxation on single-family residential property, exclusive of the land on which it is situated, if the property was purchased or rehabilitated by an individual for the individual's primary place of residence as a zone project. An exemption granted under this subsection may not extend beyond five taxable years following the date of acquisition or completion of rehabilitation.

- A municipality may grant a partial or complete exemption from ad valorem taxation on buildings, structures, fixtures, and improvements purchased or rehabilitated as a zone project for any business or investment purpose. The state board of equalization may grant a partial or complete exemption from ad valorem taxation on public utility infrastructure rehabilitated as a zone project. An exemption under this subsection may not extend beyond five taxable years following the date of purchase or completion of rehabilitation.

The City's incentives apply to both single family residence properties and business or investment properties. Tax exemption percentages and qualification requirements are applied as applicable based upon the type of property.

The total reduction in property tax revenue due tax abatements is as follows:

Program	Reduction in Property Tax Revenue
Religious Organization	$ 28,734
Public Charity	29,431
Other Programs	3,273
	$ 61,438

The Hazen Hospital Association attributes to greater than 20% of the overall total reduction in property tax revenue for the District at $28,000.

REQUIRED
SUPPLEMENTARY INFORMATION

HAZEN PUBLIC SCHOOL DISTRICT NO. 3
Required Supplementary Information
For the Year Ended June 30, 2023

Schedule of Employer's Share of Net Pension Liability
ND Teachers' Fund for Retirement
Last 10 Fiscal Years *

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.41194573%	0.39145943%	0.38948072%	0.39520525%	0.44085570%	0.43287744%	0.44352809%	0.452736%	0.444521%
Employer's proportionate share of the net pension liability (asset)	$ 5,998,148	$ 4,124,633	$ 5,961,016	$ 5,442,977	$ 5,875,982	$ 5,945,683	$ 6,497,946	$ 5,921,131	$ 4,657,792
Employer's covered payroll	$ 3,241,652	$ 3,016,976	$ 2,841,888	$ 2,772,477	$ 2,996,978	$ 2,921,799	$ 2,881,712	$ 2,784,803	$ 2,578,459
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	185.03%	136.71%	209.76%	196.32%	196.06%	203.49%	225.49%	212.62%	180.64%
Plan fiduciary net position as a percentage of the total pension liability	67.5%	75.7%	63.4%	65.5%	65.5%	63.2%	59.2%	62.1%	66.6%

* Complete data for this schedule is not available prior to 2015.

Schedule of Employer Contributions
ND Teachers' Fund for Retirement
Last 10 Fiscal Years *

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	$ 416,498	$ 413,311	$ 384,664	$ 362,341	$ 353,491	$ 382,114	$ 372,529	$ 367,418	$ 355,045
Contributions in relation to the statutorily required contribution	$ (416,498)	$ (413,311)	$ (384,664)	$ (362,341)	$ (353,491)	$ (382,114)	$ (372,529)	$ (367,418)	$ (355,045)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 3,266,653	$ 3,241,652	$ 3,016,976	$ 2,841,888	$ 2,772,477	$ 2,996,978	$ 2,921,799	$ 2,881,712	$ 2,784,803
Contributions as a percentage of covered payroll	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%

* Complete data for this schedule is not available prior to 2015.

Data reported is measured as of 7/1/2022, 7/1/2021, 7/1/2020, 7/1/2019, 7/1/2018, 7/1/2017, 7/1/2016, 7/1/2015 and 7/1/2014.

HAZEN PUBLIC SCHOOL DISTRICT NO. 3
Required Supplementary Information
For the Year Ended June 30, 2023

Schedule of Employer's Share of Net Pension Liability
ND Public Employees Retirement System
Last 10 Fiscal Years *

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.059474%	0.062211%	0.058211%	0.056482%	0.068976%	0.060685%	0.061733%	0.066878%	0.067559%
Employer's proportionate share of the net pension liability (asset)	$ 1,712,891	$ 648,426	$ 1,831,331	$ 662,010	$ 1,164,045	$ 975,407	$ 601,648	$ 454,759	$ 428,811
Employer's covered-employee payroll	$ 690,391	$ 704,471	$ 642,143	$ 587,509	$ 708,600	$ 619,498	$ 622,121	$ 595,803	$ 569,095
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	248.10%	92.04%	285.19%	112.68%	164.27%	157.45%	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	54.47%	78.26%	48.91%	71.66%	62.80%	61.98%	70.46%	77.15%	77.70%

* Complete data for this schedule is not available prior to 2015.

Schedule of Employer Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years *

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	$ 51,999	$ 51,952	$ 45,469	$ 42,774	$ 52,192	$ 44,921	$ 45,041	$ 45,256	$ 40,520
Contributions in relation to the statutorily required contribution	$ (59,716)	$ (51,630)	$ (45,556)	$ (54,344)	$ (47,066)	$ (50,170)	$ (46,953)	$ (44,264)	$ (40,520)
Contribution deficiency (excess)	$ (7,717)	$ 322	$ (87)	$ (11,570)	$ 5,126	$ (5,789)	$ (1,912)	$ 992	$ -
Employer's covered-employee payroll	$ 690,391	$ 704,471	$ 642,143	$ 587,509	$ 708,600	$ 619,498	$ 622,121	$ 595,803	$ 569,095
Contributions as a percentage of covered-employee payroll	8.65%	7.33%	7.09%	9.25%	6.64%	8.19%	7.55%	7.60%	7.12%

* Complete data for this schedule is not available prior to 2015.

Data reported is measured as of 7/1/2022, 7/1/2021, 7/1/2020, 7/1/2019, 7/1/2018, 7/1/2017, 7/1/2016, 7/1/2015 and 7/1/2014.

See independent auditor's report and notes to financial statements.

HAZEN PUBLIC SCHOOL DISTRICT NO. 3
Required Supplementary Information
For the Year Ended June 30, 2023

Schedule of Employer's Share of Net OPEB Liability
ND Public Employees Retirement System
Last 10 Fiscal Years *

	2023	2022	2021	2020	2019	2018
Employer's proportion of the net OPEB liability (asset)	0.055427%	0.057170%	0.056330%	0.052651%	0.064759%	0.057263%
Employer's proportionate share of the net OPEB liability (asset)	$ 66,530	$ 31,796	$ 47,385	$ 42,289	$ 51,002	$ 45,296
Employer's covered-employee payroll	$ 572,229	$ 623,299	$ 642,143	$ 587,509	$ 708,600	$ 619,498
Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	11.63%	5.10%	7.38%	7.20%	7.20%	7.31%
Plan fiduciary net position as a percentage of the total OPEB liability	56.28%	76.63%	63.38%	63.13%	61.89%	59.78%

* Complete data for this schedule is not available prior to 2017.

Schedule of Employer OPEB Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years *

	2023	2022	2021	2020	2019	2018
Statutorily required contribution	$ 6,965	$ 7,495	$ 7,544	$ 6,833	$ 8,312	$ 7,201
Contributions in relation to the statutorily required contribution	$ 7,931	$ (7,729)	$ (7,294)	$ (8,701)	$ (7,536)	$ (8,119)
Contribution deficiency (excess)	$ (966)	$ (234)	$ 250	$ (1,868)	$ 776	$ (918)
Employer's covered-employee payroll	$ 572,229	$ 623,299	$ 642,143	$ 578,509	$ 708,600	$ 619,498
Contributions as a percentage of covered-employee payroll	1.39%	1.24%	1.14%	1.48%	1.06%	1.31%

* Complete data for this schedule is not available prior to 2017.

Data reported is measured as of 7/1/2022, 7/1/2021, 7/1/2020, 7/1/2019, 7/1/2018 and 7/1/2017.
See independent auditor's report and notes to financial statements.

HAZEN PUBLIC SCHOOL DISTRICT NO. 3
Budgetary Comparison Schedule
General Fund
For the year ended June 30, 2023

	Original & Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
REVENUES			
Property Taxes	$ 991,520	$ 952,183	$ (39,337)
County Sources	1,500	-	(1,500)
Coal Funding and Mineral Resources	851,350	944,445	93,095
Fees and Charges	43,100	37,938	(5,162)
State Aid	4,556,638	4,581,387	24,749
Federal Aid	519,120	444,566	(74,554)
Earnings on Investments	21,000	22,072	1,072
Miscellaneous	20,687	20,423	(264)
TOTAL REVENUES	7,004,915	7,003,014	(1,901)
EXPENDITURES			
Current:			
Regular Education Programs	3,496,290	3,310,333	185,957
Title I	104,916	99,475	5,441
Other Federal Programs	466,883	381,140	85,743
Improvement of Instruction Service	13,100	12,825	275
Instructional Media Service	135,710	142,217	(6,507)
Other Instruction Support Service	72,239	79,147	(6,908)
School Board	158,815	168,992	(10,177)
Executive Administration	234,996	238,704	(3,708)
Supportive Service - Business	200,078	190,457	9,621
Other Support Services	117,615	115,865	1,750
Operation & Maintenance	797,227	809,420	(12,193)
Support Services Central	222,717	219,529	3,188
Student Activities	281,238	251,349	29,889
Student Transportation	551,283	499,456	51,827
Services Provided Another LEA	12,200	28,324	(16,124)
Vocational Education	405,988	406,094	(106)
Special Education	162,932	155,648	7,284
Adult Education/Community Services	8,800	2,208	6,592
Food Service	241,787	8,545	233,242
TOTAL EXPENDITURES	7,684,814	7,119,728	565,086
Excess (Deficiency) of Revenues Over (Under) Expenditures	(679,899)	(116,714)	563,185
OTHER FINANCING SOURCES (USES)			
Unrealized Gain (Loss) on Investments	-	(42,730)	(42,730)
Transfers In (Out)	75,000	46,951	(28,049)
Total Other Financing Sources (Uses)	75,000	4,221	(70,779)
NET CHANGE IN FUND BALANCES	(604,899)	(112,493)	492,406
Fund Balances - July 1, 2022	1,356,604	1,356,604	-
FUND BALANCES - JUNE 30, 2023	$ 751,705	$ 1,244,111	$ 492,406

The accompanying notes are an integral part of this statement.

NOTE 1 CHANGES OF ASSUMPTIONS – ND TEACHER'S FUND FOR RETIREMENT

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

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

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

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

NOTE 2 CHANGES OF BENEFIT TERMS AND CHANGES OF ASSUMPTIONS – ND PUBLIC EMPLOYEES RETIREMENT SYSTEM MAIN

Changes of Benefit Terms

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.

NOTE 2 CHANGES OF BENEFIT TERMS AND CHANGES OF ASSUMPTIONS – ND PUBLIC EMPLOYEES RETIREMENT SYSTEM MAIN – CONTINUED

Changes of Assumptions

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

NOTE 3 CHANGES OF BENEFIT TERMS AND CHANGES OF ASSUMPTIONS – ND PUBLIC EMPLOYEES RETIREMENT SYSTEM OPEB

Changes of Benefit Terms

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

Changes of Assumptions

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

NOTE 4 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The District adopts an annual budget consistent with accounting principles generally accepted in the United States for the general fund only. The following procedures are used in establishing the budgetary data reflected in the financial statements:

- The annual budget must be prepared and school district taxes must be levied on or before August 10 each year.
- The taxes levied must be certified to the county auditor by October 10.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the business manager at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- The balance of each appropriation becomes a part of the unappropriated fund balance at year-end.

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*

Governing Board
Hazen Public School District No. 3
Hazen, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hazen Public School District No. 3 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 and have issued our report thereon dated September 27, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hazen Public School District No. 3's internal control over financial reporting (internal control) as a basis for designing the 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 Hazen Public School District No. 3's internal control. Accordingly, we do not express an opinion on the effectiveness of Hazen Public School District No. 3's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 as findings 2023-001 and 2023-002, in the accompanying schedule of findings that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hazen Public School District No. 3's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with 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*.

Hazen Public School District No. 3's Response to Findings

Hazen Public School District No. 3, Hazen, North Dakota's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Hazen Public School District No. 3's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Haga Kommer, Ltd.
Haga Kommer, Ltd.
Mandan, North Dakota
September 27, 2024

Finding 2023-001: Segregation of Duties

Condition – The District has a lack of segregation of duties in certain areas due to a limited staff.

Criteria – A good system of internal control contemplates an adequate segregation of duties so that no one individual handles or has access to a transaction from its inception to its completion.

Cause – There are limited individuals to perform tasks due to the small size of the District.

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

Recommendation – With limited staff, the most effective controls lie in the board's knowledge of matters relating to the organization's operations. Board members should periodically review documentation supporting individual transactions.

Management Response – The District is aware of the condition and will add controls where feasible.

Finding 2023-002: Preparation of the Financial Statements

Condition – The financial statements and related notes are prepared by the District's auditors.

Criteria – Management is responsible for the preparation and fair presentation of the financial statements in conformity with generally accepted accounting principles.

Cause – Limited time and resources of the District to prepare the financial statements in the format required by generally accepted accounting principles.

Effect – An increased risk of material misstatement in the District's financial statements.

Recommendation – The board should review the audited financial statements for accuracy and accept responsibility for the preparation and fair presentation of the GAAP financial statements even if the auditor assisted in drafting the financial statements and notes.

Management Response – The District is aware that someone needs to review the audit report each year to make sure the financial statements and note disclosures are a fair presentation of the District.