

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**KILLDEER, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2023

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Killdeer Public School District No. 16  
Killdeer, North Dakota

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Killdeer Public School District No. 16, 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 Killdeer Public School District No. 16, 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 Opinion*

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 Killdeer Public School District No. 16, and to meet our 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 opinion.

#### *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 Killdeer Public School District No. 16's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

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

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

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

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of district's contributions to the TFFR and NDPERS pension plans, schedule of district's contributions to the NDPERS OPEB plan, schedule of district's proportionate share of net pension liability, schedule of district's share of net OPEB liability, and notes to required supplementary information, as listed on the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of

America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2024 on our consideration of Killdeer Public School District No. 16's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Killdeer Public School District No. 16's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Killdeer Public School District No. 16's internal control over financial reporting and compliance.



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

July 10, 2024

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 10,505,496
Investments	1,871,688
Accounts receivable, net	4,165
Interest receivable	1,100
Taxes receivable	144,965
Due from other governments	132,071
Prepaid items	55,829
Capital assets	
Land and buildings	47,381,285
Building improvements	2,805,306
Vehicles	1,947,836
Furniture and equipment	3,343,534
Less accumulated depreciation	<u>(9,119,198)</u>
Total capital assets, net of depreciation	<u>46,358,763</u>
<b>Total Assets</b>	59,074,077
<b>Deferred Outflows of Resources</b>	
Derived from pension	3,898,519
Derived from OPEB	<u>44,181</u>
<b>Total Deferred Outflows of Resources</b>	3,942,700
<b>Liabilities</b>	
Accounts payable	3,309
Salaries and benefits payable	471,465
Long-term liabilities	
Net pension liability	10,066,632
Net OPEB liability	65,378
General obligation bonds payable	<u>21,803,838</u>
<b>Total Liabilities</b>	32,410,622
<b>Deferred Inflows of Resources</b>	
Derived from pension	1,355,135
Derived from OPEB	<u>17,020</u>
<b>Total Deferred Inflows of Resources</b>	1,372,155
<b>Net Position</b>	
Net investment in capital assets	24,554,925
Restricted for	
Student activities	423,084
Capital projects	5,117,658
Special reserve	652,144
Debt service	1,461,759
Unrestricted	<u>(2,975,570)</u>
<b>Total Net Position</b>	<u>\$ 29,234,000</u>

See Notes to the Financial Statements

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2023**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
	Expenses				Governmental Activities
Functions/Programs					
Governmental Activities					
Instruction	\$ 7,584,860	\$ 431,380	\$ 693,728	\$ -	\$ (6,459,752)
Instructional staff	235,189	-	-	-	(235,189)
General administration	302,704	-	-	-	(302,704)
School administration	528,759	-	-	-	(528,759)
Business administration	521,164	-	-	-	(521,164)
Operation and maintenance	1,020,404	91,988	-	-	(928,416)
Student transportation	666,953	-	189,993	-	(476,960)
Central support services	35,455	-	-	-	(35,455)
Other support services	24,205	-	-	-	(24,205)
Food service	619,037	201,687	218,342	-	(199,008)
Adult education/community services	367,979	174,982	-	-	(192,997)
Student activities	912,684	547,002	-	-	(365,682)
Building construction	305,241	-	-	5,872,699	5,567,458
Interest and fees on long-term debt	611,225	-	-	-	(611,225)
	<u>\$ 13,735,859</u>	<u>\$ 1,447,039</u>	<u>\$ 1,102,063</u>	<u>\$ 5,872,699</u>	<u>(5,314,058)</u>
General Revenues:					
Taxes:					
Property Taxes, Levied for general purposes					3,556,612
Property Taxes, Levied for capital projects					616,824
Property Taxes, Levied for debt service					1,540,989
Oil and Gas Production Taxes					2,973,891
Flood Control					574,924
Other					14,445
State Aid					1,760,761
Unrestricted Investment Earnings					141,514
Other Revenues					90,646
Total General Revenues					<u>11,270,606</u>
Changes in Net Position					5,956,548
Net Position, Beginning of Year					<u>23,277,452</u>
Net Position, End of Year					<u>\$ 29,234,000</u>

See Notes to the Financial Statements



**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**JUNE 30, 2023**

	<b>Major Funds</b>			<b>Other</b>	<b>Total</b>
	<b>General</b>	<b>Capital Projects</b>	<b>Debt Service</b>	<b>Governmental Funds</b>	<b>Governmental Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,819,536	\$ 5,102,098	\$ 1,421,620	\$ 162,242	\$ 10,505,496
Investments	1,344,944	-	-	526,744	1,871,688
Accounts receivable	4,165	-	-	-	4,165
Interest receivable	700	-	-	400	1,100
Taxes receivable	89,266	15,560	40,139	-	144,965
Due from other funds	1,023	-	-	-	1,023
Due from other governments	132,071	-	-	-	132,071
Prepaid items	55,829	-	-	-	55,829
<b>TOTAL ASSETS</b>	<b>\$ 5,447,534</b>	<b>\$ 5,117,658</b>	<b>\$ 1,461,759</b>	<b>\$ 689,386</b>	<b>\$ 12,716,337</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 3,309	\$ -	\$ -	\$ -	\$ 3,309
Due to other funds	68	-	-	955	1,023
Salaries and benefits payable	471,465	-	-	-	471,465
<b>Total liabilities</b>	<b>474,842</b>	<b>-</b>	<b>-</b>	<b>955</b>	<b>475,797</b>
Deferred inflows of resources:					
Unavailable property taxes	63,265	10,944	27,861	-	102,070
<b>Total liabilities and deferred inflows of resources</b>	<b>538,107</b>	<b>10,944</b>	<b>27,861</b>	<b>955</b>	<b>577,867</b>
Fund balances:					
Nonspendable	55,829	-	-	-	55,829
Restricted for student activities	423,084	-	-	-	423,084
Restricted for capital projects	-	5,106,714	-	-	5,106,714
Restricted for special reserve	-	-	-	652,144	652,144
Restricted for debt service	-	-	1,433,898	-	1,433,898
Assigned for:					
Food service	-	-	-	36,287	36,287
Unassigned	4,430,514	-	-	-	4,430,514
<b>Total fund balances</b>	<b>4,909,427</b>	<b>5,106,714</b>	<b>1,433,898</b>	<b>688,431</b>	<b>12,138,470</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,447,534</b>	<b>\$ 5,117,658</b>	<b>\$ 1,461,759</b>	<b>\$ 689,386</b>	<b>\$ 12,716,337</b>

See Notes to the Financial Statements

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

Total fund balances - governmental funds	\$	12,138,470
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Cost	55,477,961	
Accumulated Depreciation	<u>(9,119,198)</u>	46,358,763

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.	3,942,700
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Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.	(1,372,155)
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Property taxes receivable will be collected this year but are not available soon enough to pay for the current period expenditures, and therefore are deferred in the funds.	102,070
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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:

General obligation bonds payable	(21,803,838)	
Net pension liability	(10,066,632)	
Net OPEB liability	<u>(65,378)</u>	<u>(31,935,848)</u>

Net position of governmental activities	\$	<u><u>29,234,000</u></u>
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See Notes to the Financial Statements

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<b>Major Funds</b>			<b>Other</b>	<b>Total</b>
	<b>Capital</b>			<b>Governmental</b>	<b>Governmental</b>
	<b>General</b>	<b>Projects</b>	<b>Debt Service</b>	<b>Funds</b>	<b>Funds</b>
<b>Revenues:</b>					
Property taxes	\$ 3,562,213	\$ 618,266	\$ 1,550,028	\$ -	\$ 5,730,507
Oil & gas production taxes	2,973,891	-	-	-	2,973,891
Local aid	589,369	-	5,872,699	-	6,462,068
State aid	1,987,171	-	-	1,212	1,988,383
Federal aid	657,312	-	-	217,130	874,442
Fees and charges	1,153,364	91,988	-	201,687	1,447,039
Earnings on investments	139,515	-	-	1,999	141,514
Miscellaneous	57,634	33,012	-	-	90,646
Total Revenues	11,120,469	743,266	7,422,727	422,028	19,708,490
<b>Expenditures</b>					
Current					
Instruction	5,910,467	-	-	-	5,910,467
Instructional staff	235,189	-	-	-	235,189
General administration	302,704	-	-	-	302,704
School administration	353,893	-	-	-	353,893
Business administration	521,164	-	-	-	521,164
Operation and maintenance	1,020,404	-	-	-	1,020,404
Student transportation	568,936	-	-	-	568,936
Central support services	35,455	-	-	-	35,455
Other support services	24,205	-	-	-	24,205
Food service	-	-	-	619,038	619,038
Adult education/community services	367,979	-	-	-	367,979
Student activities	912,684	-	-	-	912,684
Building construction	-	305,241	-	-	305,241
Capital outlay	146,062	9,217,077	-	-	9,363,139
Debt service					
Principal	-	-	5,355,000	-	5,355,000
Interest and fees	-	-	770,431	-	770,431
Total expenditures	10,399,142	9,522,318	6,125,431	619,038	26,665,929
Excess (Deficiency) of Revenues Over (Under) Expenditures	721,327	(8,779,052)	1,297,296	(197,010)	(6,957,439)
<b>Other Financing Sources (Uses)</b>					
Transfers in (out)	(100,000)	-	-	100,000	-
Total other financing sources (uses)	(100,000)	-	-	100,000	-
<b>Net Change in Fund Balances</b>	621,327	(8,779,052)	1,297,296	(97,010)	(6,957,439)
<b>Fund Balances, Beginning of Year</b>	4,288,100	13,885,766	136,602	785,441	19,095,909
<b>Fund Balances, End of Year</b>	\$ 4,909,427	\$ 5,106,714	\$ 1,433,898	\$ 688,431	\$ 12,138,470

See Notes to the Financial Statements

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**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 \$ (6,957,439)

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which purchases exceeded depreciation.

Capital assets purchased in the current period	9,363,139	
Depreciation expense of capital assets reported	<u>(1,515,059)</u>	7,848,080

The proceeds from bond issuances and related premiums are reported 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 net position but the repayment and premium amortization reduces long-term liabilities.

Debt repaid		5,355,000
Amortization		159,205

Governmental funds report pension and OPEB expenditures as accrued for actual benefits paid in the expenditures. However in the statement of activities, the pension expense is an actuarial calculation of the cost of the plan accounting for projected future benefits, plan earnings, and contributions.

(432,216)

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 decreased by this amount this year.

(16,082)

Change in net position of governmental activities \$ 5,956,548

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1        SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Killdeer Public School District No. 16 complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

**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

Based on these criteria, there are no component units to be included within the District's reporting entity.

***Basis of Presentation***

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

**Government-Wide Financial Statements**

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements display information about the District as a whole. 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 net position presents the financial condition of the governmental activities of the District at year-end.

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

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

**Fund Financial Statements**

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

**Fund Accounting**

The District's funds consist of the following:

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

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.

Capital Projects Fund:

This fund accounts for financial resources dedicated to the construction of new school buildings, additions to old school buildings, and the making of major repairs to existing buildings.

Debt Service Fund:

This fund is used to account for the accumulation of resources for, and the payment of principal and interest on the District's general obligation bonds.

The District's non-major governmental funds are as follows:

Special Reserve Fund:

This fund is allowed under North Dakota state law and may levy a tax to be used if the general fund has funds insufficient to pay for teacher salaries, heat, lights and fuel.

Food Service Fund:

This fund accounts for the resources associated with the District's hot lunch program.

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

**Measurement Focus and Basis of Accounting**

*Government-wide Financial Statements*

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

*Fund Financial Statements*

The governmental funds are accounted for by using a flow of current financial resources measurement focus. Under this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources and uses of current financial resources.

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

*Basis of Accounting*

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

Government-wide financial statements are prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The District's governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of its fiscal year. Expenditures are generally recorded as the related fund liability is incurred.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for services, 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 government's policy to use restricted resources first, and 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.

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**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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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.

**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 and Cash Equivalents**

Cash and cash equivalents consist of amounts in demand deposits.

**Investments**

At June 30, 2023, the District's investments were held in certificates of deposit. These investments are reported at amortized cost.

**Credit 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.

**Leases**

The District is the lessor in multiple short-term leases for staff housing and building space. Short term leases have a term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise. The District has elected to record rent revenue for short term leases on a straight-line basis over the lease term.

**Capital Assets**

Capital assets include buildings, building improvements, vehicles, machinery and equipment, and furniture and fixtures and are reported in the government-wide financial statements. Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.



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**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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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	70 years
Building Improvements	20 years
Vehicles	5-10 years
Machinery and Equipment	5-10 years
Furniture and Fixtures	5-10 years

### **Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Any new indebtedness that may be issued in the future, bond premiums and discounts will be deferred and amortized over the life of the bonds. Bond issuance costs are recognized in the current period.

In the fund financial statements, governmental fund types recognize bond premium, discounts, and issuance costs in the current period. The face amount of the debt is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing sources and uses. Issuance costs are reported as debt service expenditures.

### **Net Position**

Net position represents the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources. 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.

### **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

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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purpose unless the school board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* – This classification reflects the amounts constrained by the District’s “intent” to be used for 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**

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. The District has two items reported on the statement of net position as derived from pension and OPEB, which represent the actuarial differences within the TFFR and NDPERS pension and other post employment benefit plans as well as amounts paid to the plans after the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items, one of which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable property taxes, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items are reported on the statement of net position and are derived from pension and OPEB plans, which represent actuarial differences within the TFFR, NDPERS and OPEB plans.

#### **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.

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**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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**Other Post Employment Benefits (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported for 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.

**Budgets**

The School District budget is prepared in accordance with accounting principles generally accepted in the United States of America and the School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The School Board reviews the budget, may make revisions and approves it on or before August 15. The budget must be filed with the County Auditor by October 10.
2. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared except no amendment changing the taxes levied can be made after October 10.
3. The balance of each appropriation becomes a part of the unappropriated balance at year-end.

For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year.

**Revenue Recognition – Property Taxes**

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.

**Estimates**

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

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

**NOTE 2 CASH AND INVESTMENTS**

**Deposits**

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.

As of June 30, 2023, the District's carrying balances were \$12,377,184. The bank balance of these deposits as of June 30, 2023 was \$14,083,229. Of the bank balances, \$1,000,000 was covered by Federal Depository Insurance and the remaining balance was collateralized with securities pledged by the financial institutions.

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**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

**NOTE 3 CAPITAL ASSETS**

Following is a summary of capital asset activity for the year ended June 30, 2023:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities					
Capital Assets, not being Depreciated					
Land	\$ 599,859	\$ -	\$ -	\$ -	\$ 599,859
Construction in Process	27,982,635	7,945,587	-	(35,928,222)	-
Total Capital Assets, not being Depreciated	28,582,494	7,945,587	-	(35,928,222)	599,859
Capital Assets, being Depreciated					
Buildings	10,860,669	79,479	-	35,841,278	46,781,426
Building Improvements	2,608,962	196,344	-	-	2,805,306
Vehicles	1,897,926	131,400	(81,490)	-	1,947,836
Furniture and Equipment	2,246,261	1,010,329	-	86,944	3,343,534
Total Capital Assets, being Depreciated	17,613,818	1,417,552	(81,490)	35,928,222	54,878,102
Accumulated Depreciation					
Buildings	3,385,828	1,061,464	-	-	4,447,292
Building Improvements	840,783	180,713	-	-	1,021,496
Vehicles	1,405,701	98,017	(81,490)	-	1,422,228
Furniture and Equipment	2,053,317	174,865	-	-	2,228,182
Total Accumulated Depreciation	7,685,629	1,515,059	(81,490)	-	9,119,198
Governmental Activities Capital Assets, Net	<u>\$ 38,510,683</u>	<u>\$ 7,848,080</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,358,763</u>

Depreciation expense for the year ended June 30, 2023 is reported in the government-wide statement of activities as follows:

Governmental Activities	
Instruction	\$ 1,242,177
School Administration	174,865
Transportation Services	<u>98,017</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,515,059</u>

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

**NOTE 4 LONG-TERM DEBT**

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

	<u>Interest Rate</u>	<u>Maturity</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Series 2020A General Obligation Bonds	2.000% - 5.000%	8/1/2040	\$12,035,000	\$ -	\$ (485,000)	\$11,550,000
Series 2021A General Obligation Bonds	1.375% - 5.000%	8/1/2040	9,135,000	-	(370,000)	8,765,000
Series 2022A General Obligation Bonds	2.500% - 3.500%	8/1/2041	4,500,000	-	(4,500,000)	-
Series 2020A Bond Premium			1,022,941	-	(56,511)	966,430
Series 2021A Bond Premium			552,956	-	(30,548)	522,408
Series 2022A Bond Premium			<u>72,146</u>	<u>-</u>	<u>(72,146)</u>	<u>-</u>
Total			<u>\$27,318,043</u>	<u>\$ -</u>	<u>\$ (5,514,205)</u>	<u>\$21,803,838</u>

**Bond Defeasance**

During 2023, the District placed cash of \$4,596,172 with an escrow agent to be used solely for satisfying interest and principal payments on Series 2022A General Obligation Bonds of \$4,500,000 to be redeemed on August 1, 2030. Future cash flows of \$5,433,687 will be required to service the defeased debt.

Debt service requirements on long-term debt at June 30, 2023 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ -	\$ 271,894	\$ 271,894
2025	900,000	521,288	1,421,288
2026	945,000	475,163	1,420,163
2027	990,000	426,788	1,416,788
2028	1,040,000	376,038	1,416,038
2029-2033	5,840,000	1,313,009	7,153,009
2034-2038	6,430,000	730,259	7,160,259
2039-2042	<u>4,170,000</u>	<u>126,100</u>	<u>4,296,100</u>
Total	<u>\$20,315,000</u>	<u>\$ 4,240,539</u>	<u>\$24,555,539</u>

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**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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**NOTE 5    DEFINED BENEFIT PENSION PLANS – STATEWIDE**

***North Dakota Teachers' Fund for Retirement***

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

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

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

***Pension Benefits***

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

***Tier 1 Grandfathered***

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

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

***Tier 1 Non-grandfathered***

A Tier 1 non-grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or has reached age 60 and the sum



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of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

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

*Tier 2*

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

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

***Death and Disability Benefits***

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

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



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**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

***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 \$7,546,459 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2022, the Employer's proportion was 0.518280 percent which was a decrease of 0.006123 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Employer recognized pension expense of \$653,891. At June 30, 2023, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual		
economic experience	\$ 32,521	\$ 201,487
Changes in actuarial assumptions	153,450	-
Net difference between projected and actual		
earnings on pension plan investments	565,241	-
Changes in proportion and differences between		
employer contributions and proportionate		
share of contributions	858,172	75,030
Employer contributions subsequent		
to the measurement date	500,095	-
Total	<u>\$ 2,109,479</u>	<u>\$ 276,517</u>

\$500,095 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024.

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**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

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

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2024	\$ 309,712
2025	258,400
2026	125,128
2027	630,748
2028	12,404
Thereafter	(3,525)

***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 assumptions used in the July 1, 2022, funding actuarial valuation for TFFR.

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

The long-term expected rate of return on TFFR investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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

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**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the TFFR target asset allocation as of June 30, 2022 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
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, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2022.

***Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.***

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent as of June 30, 2022, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	6.25%	7.25%	8.25%
School's proportionate share of the TFFR net pension liability:	\$ 10,368,143	\$ 7,546,459	\$ 5,206,228

***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 Annual Comprehensive Financial Report (ACFR) is located at <https://www.rio.nd.gov/sites/www/files/documents/PDFs/RIO/Reports/annualreport2022.pdf>.

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

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

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

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

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

***Pension Benefits***

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020, the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service. The Main Plan will be closed to new employees with the passage of House Bill 1040. The effective date is dependent upon NDPERS implementing the changes to set up a new defined contribution (DC) plan. If the DC plan is set up by December 31, 2023, then the effective date of the Main Plan closure will be January 1, 2024. If the changes cannot be accomplished by then, the effective date will be January 1, 2025.

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

***Death and Disability Benefits***

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

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

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

***Refunds of Member Account Balance***

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

***Member and Employer Contributions***

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

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

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

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

At June 30, 2023, the District reported a liability of \$2,520,173 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2022, the District's proportion was 0.087500 percent which was a decrease of 0.001770 percent from its proportion measured as of July 1, 2021.

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

For the year ended June 30, 2023, the District recognized pension expense of \$372,934. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 13,146	\$ 48,140
Changes in actuarial assumptions	1,507,101	934,319
Net difference between projected and actual earnings on pension plan investments	92,238	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	79,172	96,159
Employer contributions subsequent to the measurement date	97,383	-
Total	<u>\$ 1,789,040</u>	<u>\$ 1,078,618</u>

\$97,383 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024.

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

Year Ending June 30,	Pension Expense Amount
2024	\$ 204,314
2025	187,356
2026	(7,316)
2027	228,685

### **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.



**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equity	30%	5.75%
International Equity	21%	6.45%
Private Equity	7%	9.20%
Global Fixed Income	23%	0.34%
Global Real Assets	19%	4.35%

**Discount Rate**

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

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

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

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 5.10 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.10 percent) or 1-percentage-point higher (6.10 percent) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	4.10%	5.10%	6.10%
School's proportionate share of the NDPERS net pension liability:	\$ 3,326,456	\$ 2,520,173	\$ 1,858,244

**Pension Plan Fiduciary Net Position**

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

**NOTE 6 DEFINED BENEFIT OPEB PLAN**

***North Dakota Public Employees Retirement System***

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

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

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

***OPEB Benefits***

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is



**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

shown as *"prefunded credit applied"* on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

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

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

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

At June 30, 2023, the District reported a liability of \$65,378 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 0.054468 percent which was a decrease of 0.016231 percent from its proportion measured as of July 1, 2021.

For the year ended June 30, 2023, the District recognized OPEB expense of \$9,837. 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 economic experience	\$ 1,550	\$ 562
Changes in actuarial assumptions	16,468	-
Net difference between projected and actual earnings on OPEB plan investments	8,803	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,340	16,458
Employer contributions subsequent to the measurement date	7,020	-
Total	<u>\$ 44,181</u>	<u>\$ 17,020</u>

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

\$7,020 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024.

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

Year Ending June 30,	OPEB Expense Amount
2024	\$ 5,811
2025	5,345
2026	3,637
2027	5,348

**Actuarial Assumptions**

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad US Equity	39%	5.75%
International Equities	26%	6.00%
Core-Plus Fixed Income	35%	0.22%

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

***Discount rate.***

The discount rate used to measure the total OPEB liability was 5.39%. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

***Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate.***

The following presents the net OPEB liability of the Plans as of June 30, 2022, calculated using the discount rate of 5.39%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.39 percent) or 1-percentage-point higher (6.39 percent) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	4.39%	5.39%	6.39%
District's proportionate share of the net OPEB liability:	\$ 83,452	\$ 65,378	\$ 50,206

**NOTE 7 RISK MANAGEMENT**

The Killdeer Public School District No. 16 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.

In 1986 state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Killdeer Public School District No. 16 pays an annual premium to NDRF for its general insurance coverage. The coverage by NDRF is limited to losses of \$2,000,000 per occurrence.

The District continues to carry commercial insurance for all other risks of loss, including workers' compensation, North Dakota fire and tornado fund, and employee health and accident insurance. Any settled claims from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**NOTE 8 PURCHASE COMMITMENTS**

The District has entered into a contract totaling \$35,261,490 for services in connection with construction of a new school building. As of June 30, 2023, \$34,315,533 has been paid on this contract.

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

**NOTE 9      NEW PRONOUNCEMENTS**

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

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

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, enhances the accounting and financial reporting requirements for accounting changes and error corrections. The standard is effective for fiscal years beginning after June 15, 2023.

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

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

**NOTE 10      SUBSEQUENT EVENTS**

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through July 10, 2024, which is the date these financial statements were available to be issued.

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Original/Final Budget	Actual	Variance with Final Budget
Revenue			
Property Taxes	\$ 3,860,285	\$ 3,562,213	\$ (298,072)
Oil & gas production taxes	2,000,000	2,973,891	973,891
Local aid	-	589,369	589,369
State aid	1,667,079	1,987,171	320,092
Federal aid	712,718	657,312	(55,406)
Fees and charges	376,000	606,362	230,362
Earnings on investments	10,000	139,515	129,515
Miscellaneous	18,000	57,634	39,634
Total Revenues	8,644,082	10,573,467	1,929,385
Expenditures			
Current			
Instruction	5,523,076	5,910,467	387,391
Instructional staff	204,392	235,189	30,797
General administration	372,316	302,704	(69,612)
School administration	361,221	353,893	(7,328)
Business administration	526,490	521,164	(5,326)
Operation and maintenance	1,050,757	1,020,404	(30,353)
Student transportation	700,258	568,936	(131,322)
Central support services	41,552	35,455	(6,097)
Other support services	25,000	24,205	(795)
Adult education/community services	378,755	367,979	(10,776)
Student activities	462,408	454,641	(7,767)
Capital outlay	-	146,062	146,062
Total expenditures	9,646,225	9,941,099	294,874
Net Change in Fund Balance	(1,002,143)	532,368	1,534,511
Fund Balance, Beginning of Year	3,953,975	3,953,975	-
Fund Balances, End of Year	<u>\$ 2,951,832</u>	4,486,343	<u>\$ 1,534,511</u>
Other General Funds:			
Student Activity Fund		<u>423,084</u>	
Total General Fund		<u>\$ 4,909,427</u>	

See Notes to the Required Supplementary Information

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE TFFR AND NDPERS PENSION PLANS**  
**LAST 10 YEARS (PRESENTED PROSPECTIVELY)**

**Teachers Fund for Retirement**

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2023	\$ 500,095	\$ (500,095)	\$ -	\$ 3,922,308	12.75%
2022	520,017	(520,017)	-	4,078,553	12.75%
2021	515,312	(515,312)	-	4,041,644	12.75%
2020	475,885	(475,885)	-	3,732,429	12.75%
2019	390,736	(390,736)	-	3,064,597	12.75%
2018	367,531	(367,531)	-	2,882,595	12.75%
2017	348,155	(348,155)	-	2,730,627	12.75%
2016	336,110	(336,110)	-	2,636,155	12.75%
2015	325,438	(325,438)	-	2,552,580	12.75%

**North Dakota Public Employees Retirement System**

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2023	\$ 97,383	\$ (97,383)	\$ -	\$ 1,263,962	7.70%
2022	75,826	(75,826)	-	1,006,174	7.54%
2021	75,024	(75,024)	-	1,078,012	6.96%
2020	72,646	(75,887)	(3,241)	1,025,945	7.66%
2019	75,770	(72,158)	3,612	1,040,707	6.93%
2018	57,037	(53,118)	3,919	774,387	6.86%
2017	44,387	(44,795)	(408)	612,130	7.32%
2016	45,387	(52,950)	(7,563)	626,915	8.45%
2015	52,650	(51,527)	1,123	693,144	7.43%

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

See Notes to the Required Supplementary Information

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE NDPERS OPEB PLAN**  
**LAST 10 YEARS (PRESENTED PROSPECTIVELY)**

**North Dakota Public Employees Retirement System – OPEB**

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2023	\$ 7,020	\$ (7,020)	\$ -	\$ 615,784	1.14%
2022	6,831	(6,831)	-	601,907	1.13%
2021	11,842	(11,842)	-	1,078,012	1.10%
2020	12,053	(12,578)	(525)	1,025,945	1.17%
2019	12,103	(11,553)	550	1,040,707	1.16%
2018	9,083	(8,505)	578	774,387	1.17%

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

See Notes to the Required Supplementary Information

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**LAST 10 YEARS (PRESENTED PROSPECTIVELY)**

**Teachers Fund for Retirement**

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.518280%	\$ 7,546,459	\$ 4,078,425	185.03%	67.50%
2022	0.524403%	5,525,396	4,041,570	136.71%	75.70%
2021	0.511529%	7,828,975	3,732,429	209.76%	63.40%
2020	0.436846%	6,016,472	3,064,597	196.32%	65.50%
2019	0.424030%	5,561,719	2,882,595	192.94%	65.50%
2018	0.404554%	5,556,660	2,730,627	203.49%	63.20%
2017	0.405734%	5,944,242	2,636,155	225.49%	59.20%
2016	0.414983%	5,427,377	2,552,580	212.62%	62.10%
2015	0.400383%	4,195,304	2,322,433	180.64%	66.60%

**North Dakota Public Employees Retirement System**

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.087500%	\$ 2,520,173	\$ 1,006,174	250.47%	54.47%
2022	0.089270%	930,472	1,010,900	92.04%	78.26%
2021	0.093004%	2,925,926	1,025,945	285.19%	48.91%
2020	0.100052%	1,172,682	1,040,707	112.68%	71.66%
2019	0.075380%	1,272,120	774,387	164.27%	62.80%
2018	0.059963%	963,802	612,130	157.45%	61.98%
2017	0.062208%	606,278	626,915	92.15%	61.98%
2016	0.077805%	529,061	693,144	72.04%	70.46%
2015	0.066835%	424,216	562,999	74.71%	77.15%

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

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

See Notes to the Required Supplementary Information



**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY**  
**LAST 10 YEARS (PRESENTED PROSPECTIVELY)**

**North Dakota Public Employees Retirement System - OPEB**

For the Fiscal Year Ended June 30	District's Proportion of the Net OPEB Liability (Asset)	District's Proportionate Share of the Net OPEB Liability (Asset)	District's Covered- Employee Payroll	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered- employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2023	0.054468%	\$ 65,378	\$ 562,331	11.63%	56.28%
2022	0.070699%	39,321	770,796	5.10%	76.63%
2021	0.089998%	75,706	1,025,945	7.38%	63.38%
2020	0.093265%	74,909	1,040,707	7.20%	63.13%
2019	0.070771%	55,737	774,387	7.20%	61.89%
2018	0.056582%	44,757	612,130	7.31%	59.78%

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

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

See Notes to the Required Supplementary Information

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**NOTE 1        BUDGETARY COMPARISON**

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 15 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.

**NOTE 2        EXPENDITURES IN EXCESS OF BUDGET**

Funds sufficient to provide for the excess expenditures of \$294,874 in the general fund were made available from other functions within the fund and the excess has no impact on the financial results of the District.

**NOTE 3        CHANGES OF BENEFIT TERMS AND ASSUMPTIONS**

**TFFR**

***Changes of Assumptions***

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

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

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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

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

**NDPERS**

***Changes of benefit terms.***

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

***Changes of assumptions.***

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

**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 methods are unchanged from the last actuarial valuation as of July 1, 2021.

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**SCHEDULE OF EXPENITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

<i>Federal Grantor\Pass-through Grantor\Program or Cluster Title</i>	<i>Federal AL Number</i>	<i>Pass-through Grantor Number</i>	<i>Federal Expenditures (\$)</i>
<b>United States Department of Agriculture</b>			
Passed through North Dakota Department of Public Instruction			
<b>Child Nutrition Cluster-Cluster</b>			
School Breakfast Program	10.553	F10553	\$ 23,056
National School Lunch Program	10.555	F10555	127,899
National School Lunch Program	10.555S	F10555S	23,202
Food Distribution-Non Cash	10.555	F10555	39,945
<b>Total Child Nutrition Cluster-Cluster</b>			214,102
State Administrative Expenses for Child Nutrition	10.560	F10560	<u>3,028</u>
<b>Total United States Department of Agriculture</b>			<u>217,130</u>
<b>Department of Education</b>			
Passed through North Dakota Department of Public Instruction			
Title I Grants to Local Educational Agencies	84.010	F84010	147,475
Title III English Language Learners	84.365A	F84365A	21,407
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	F84367	55,041
Student Support and Academic Enrichment Program	84.424A	F84424A	17,768
COVID-19 Education Stabilization Fund	84.425D	F84425D	287,598
Passed through North Dakota Department of Health and Human Services			
COVID-19 Best in Class Program	84.425U	300-12774	60,000
Passed through North Dakota Dept. of Career and Technical Education			
Career and Technical Education -- Basic Grants to States	84.048	N/A	40,863
Direct Program			
Rural Education	84.358A	N/A	<u>27,160</u>
<b>Total Department of Education</b>			<u>657,312</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 874,442</u>

See Notes to the Schedule of Expenditures of Federal Awards

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the accompanying schedule of expenditures of federal awards (the "Schedule") are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**NOTE 2 – INDIRECT COST RATE**

Killdeer Public School District No. 16 has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 3 – BASIS OF PRESENTATION**

The Schedule includes the federal award activity of the Killdeer Public School District No. 16 under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

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

Governing Board  
Killdeer Public School District No. 16  
Killdeer, 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 Killdeer Public School District No. 16 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 July 10, 2024.

## **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Killdeer Public School District No. 16's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Killdeer Public School District No. 16's internal control. Accordingly, we do not express an opinion on the effectiveness of Killdeer Public School District No. 16's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-002 and 2023-004 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-003 to be a significant deficiencies.

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

As part of obtaining reasonable assurance about whether Killdeer Public School District No. 16's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Killdeer Public School District No. 16's Response to Findings**

*Government Auditing Standards* required the auditor to perform limited procedures on the District's responses to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Killdeer Public School District No. 16's responses were not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on the responses.

## **Purpose of this Report**

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



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

July 10, 2024

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

Governing Board  
Killdeer Public School District No. 16  
Killdeer, North Dakota

### Report on Compliance for Each Major Federal Program

#### *Opinion on Each Major Federal Program*

We have audited Killdeer Public School District No. 16's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Killdeer Public School District No. 16's major federal programs for the year ended June 30, 2023. Killdeer Public School District No. 16's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Killdeer Public School District No. 16 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

#### *Basis for Opinion on Each Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Killdeer Public School District No. 16 and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Killdeer Public School District No. 16's compliance with the compliance requirements referred to above.



## ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Killdeer Public School District No. 16's federal programs.

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Killdeer Public School District No. 16's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Killdeer Public School District No. 16's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Killdeer Public School District No. 16's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Killdeer Public School District No. 16's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Killdeer Public School District No. 16's internal control over compliance. Accordingly, no such opinion is expressed.

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

## ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2023-005. Our opinion is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Killdeer Public School District No. 16's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Killdeer Public School District No. 16's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-005 and 2023-006 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on Killdeer Public School District No. 16's, response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Killdeer Public School District No. 16's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



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

July 10, 2024

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:  
Material weakness(es) identified?   x   yes        no  
Significant deficiency(ies) identified that are  
not considered to be material weaknesses?   x   yes        none reported

Non-compliance material to financial  
statements noted?        yes   x   no

Federal Awards

Internal control over major programs:  
Material weakness(es) identified?        yes   x   no  
Significant deficiency(ies) identified that are  
not considered to be material weaknesses?   x   yes        none reported

Type of auditor's report issued on compliance  
for major programs: Unmodified

Any audit findings disclosed that are  
required to be reported in accordance with  
2 CFR 200.516(a)?   x   yes        no

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425	Education Stabilization Fund
10.553 / 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish  
between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee?        yes   x   no

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Finding 2023-001: Segregation of Duties – Significant Deficiency**

**Criteria**

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

**Condition**

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

**Cause**

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

**Effect**

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

**Recommendation**

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

**Views of Responsible Officials and Planned Corrective Actions**

We are aware of the condition and have implemented controls such as reviews and approvals where feasible. Additionally, upon the arrival of the new Superintendent and Business manager there has been more oversight, collaboration and transparency between the two offices and the school board. The business manager has created efficiencies not experienced prior to her arrival. There is significantly more organization, attention to detail and cross-training that causes orderly and organized workings of the business office and more opportunity for oversight. Additionally, all financial reports are now posted on the school website for public examination.

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**Finding 2023-002: Preparation of the Financial Statements – Material Weakness**

**Criteria**

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

**Condition**

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

**Cause**

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

**Effect**

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

**Recommendation**

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

**Views of Responsible Officials and Planned Corrective Actions**

The 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 for the District. The board is encouraged to ask follow-up questions and gain a deeper understanding of the audit report.

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**Finding 2023-003: Journal Entries – Significant Deficiency**

**Criteria**

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

**Condition**

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

**Cause**

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

**Effect**

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

**Recommendation**

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

**Views of Responsible Officials and Planned Corrective Actions**

Efforts will be made to ensure all activities are properly recorded. The new bank reconciliation process will also ensure proper journal entries are made as the general ledger is balanced each month.

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**Finding 2023-004: Bank Reconciliations – Material Weakness**

**Criteria**

Bank balances on June 30, 2023 did not reconcile with the general ledger prior to audit adjustments.

**Condition**

A good system of internal controls requires that bank balances be reconciled with the general ledger on a monthly basis.

**Cause**

The District's internal controls have not been designed to reconcile bank balances with the general ledger.

**Effect**

The District's cash balances were misstated prior to audit adjustments.

**Recommendation**

We recommend the District implement a process for review and reconciliation of all bank accounts on a monthly basis.

**Views of Responsible Officials and Planned Corrective Actions**

The Superintendent and Business Manager will meet monthly to review bank statements and reconciliation reports to ensure accuracy. The Business Manager will provide a balanced reconciliation report to the Superintendent for sign off and the reconciliation report will be included in the monthly school board meeting packet for proper oversight.

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**SECTION III – FEDERAL AWARD FINDINGS**

**Finding 2023-005 - Reporting**

**Federal Program**

All major programs

**Criteria**

As a matter of grant compliance, the data collection form and reporting package must be submitted to the Federal Clearinghouse within 30 days after the receipt of the auditor's report or within nine months after the end of the audit period.

**Condition**

The June 30, 2023 data collection form was not filed timely.

**Cause**

There was a delay in the audit being completed.

**Effect**

The District is not in compliance with Uniform Guidance requirements.

**Questioned Costs**

None.

**Recommendation**

We recommend the District take the necessary procedures to ensure that future single audits are completed within the required time periods of the Uniform Guidance.

**Views of Responsible Officials**

We concur with the auditor's finding and will take action to ensure timely reporting in the future.

**Indication of Repeat Finding**

See prior year finding 2022-005.



**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**Finding 2023-006 - Reporting**

**Federal Program**

10.553 / 10.555 – Child Nutrition Cluster

**Criteria**

A system of internal controls requires all monthly reimbursement reports to be reviewed and approved prior to submission.

**Condition**

During testing we noted monthly reimbursement reports are not being reviewed and approved.

**Cause**

The District has not implemented a review and approval process for monthly submissions.

**Effect**

The amounts reported could be inaccurate.

**Questioned Costs**

None

**Context**

Six monthly reports were selected for testing. The reports were not reviewed or approved by anyone other than the report preparer.

**Recommendation**

All reports should be reviewed by someone other than the preparer and this review should be documented. The person reviewing the report should compare all information reported to the supporting documentation.

**Views of Responsible Officials**

The Business Manager will review the monthly reimbursement reports and supporting data prepared by Business Office staff for accuracy and sign off on the reimbursement request prior to submittal to the Department of Public Instruction.

**Indication of Repeat Finding**

No.

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**Finding 2022-001: Segregation of Duties – Significant Deficiency**

**Criteria**

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

**Condition**

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

**Cause**

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

**Effect**

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

**Recommendation**

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

**Views of Responsible Officials and Planned Corrective Actions**

We are aware of the condition and have implemented controls such as reviews and approvals where feasible. Additionally, upon the arrival of the new Superintendent and Business manager there has been more oversight, collaboration and transparency between the two offices and the school board. The business manager has created efficiencies not experienced prior to her arrival. There is significantly more organization, attention to detail and cross-training that causes orderly and organized workings of the business office and more opportunity for oversight. Additionally, all financial reports are now posted on the school website for public examination.

**Corrective Action Taken**

See current year finding 2023-001.

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**Finding 2022-002: Preparation of the Financial Statements – Material Weakness**

**Criteria**

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

**Condition**

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

**Cause**

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

**Effect**

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

**Recommendation**

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

**Views of Responsible Officials and Planned Corrective Actions**

The 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 for the District. The board is encouraged to ask follow-up questions and gain a deeper understanding of the audit report.

**Corrective Action Taken**

See current year finding 2023-002.

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**Finding 2022-003: Journal Entries – Material Weakness**

**Criteria**

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

**Condition**

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

**Cause**

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

**Effect**

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

**Recommendation**

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

**Views of Responsible Officials and Planned Corrective Actions**

Efforts will be made to ensure all activities are properly recorded. The new bank reconciliation process will also ensure proper journal entries are made as the general ledger is balanced each month.

**Corrective Action Taken**

See current year finding 2023-003.

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**Finding 2022-004: Bank Reconciliations – Material Weakness**

**Criteria**

Bank balances on June 30, 2022 did not reconcile with the general ledger prior to audit adjustments.

**Condition**

A good system of internal controls requires that bank balances be reconciled with the general ledger on a monthly basis.

**Cause**

The District's internal controls have not been designed to reconcile bank balances with the general ledger.

**Effect**

The District's cash balances were materially misstated prior to audit adjustments.

**Recommendation**

We recommend the District implement a process for review and reconciliation of all bank accounts on a monthly basis.

**Views of Responsible Officials and Planned Corrective Actions**

The Superintendent and Business Manager will meet monthly to review bank statements and reconciliation reports to ensure accuracy. The Business Manager will provide a balanced reconciliation report to the Superintendent for sign off and the reconciliation report will be included in the monthly school board meeting packet for proper oversight.

**Corrective Action Taken**

See current year finding 2023-004.

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**Finding 2022-005 - Reporting**

**Federal Program**

All major programs

**Criteria**

As a matter of grant compliance, the data collection form and reporting package must be submitted to the Federal Clearinghouse within 30 days after the receipt of the auditor's report or within nine months after the end of the audit period.

**Condition**

The June 30, 2022 data collection form was not filed timely.

**Cause**

There was a delay in the audit being completed.

**Effect**

The District is not in compliance with Uniform Guidance requirements.

**Questioned Costs**

None.

**Recommendation**

We recommend the District take the necessary procedures to ensure that future single audits are completed within the required time periods of the Uniform Guidance.

**Views of Responsible Officials**

We concur with the auditor's finding and will take action to ensure timely reporting in the future.

**Corrective Action Taken**

See current year finding 2023-005.

# Killdeer Public School District No. 16

## **Administration**

Jeff Simmons, Superintendent  
Karter Kleeman, HS Principal  
Andrew Cook, Elem Principal  
Rhonda Zastoupil, Business Manager



## **School Board**

Levi Bang, President  
April Dutchuk, Vice-President  
Larry Lundberg, Member  
Scott Bice, Member  
Kelli Schollmeyer, Member

## CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2023

### **2023-001**

#### **Contact Person**

Rhonda Zastoupil, Business Manager

#### **Planned Corrective Action**

We are aware of the condition and have implemented controls such as reviews and approvals where feasible. Additionally, upon the arrival of the new Superintendent and Business manager there has been more oversight, collaboration and transparency between the two offices and the school board. The business manager has created efficiencies not experienced prior to her arrival. There is significantly more organization, attention to detail and cross-training that causes orderly and organized workings of the business office and more opportunity for oversight. Additionally, all financial reports are now posted on the school website for public examination.

#### **Planned Completion Date**

Ongoing

### **2023-002**

#### **Contact Person**

Rhonda Zastoupil, Business Manager

#### **Planned Corrective Action**

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 for the District. The board is encouraged to ask follow-up questions and gain a deeper understanding of the audit report.

#### **Planned Completion Date**

Ongoing

**2023-003****Contact Person**

Rhonda Zastoupil, Business Manager

**Planned Corrective Action**

Efforts will be made to ensure all activities are properly recorded. The new bank reconciliation process will also ensure proper journal entries are made as the general ledger is balanced each month.

**Planned Completion Date**

June 30, 2024

**2023-004****Contact Person**

Rhonda Zastoupil, Business Manager

**Planned Corrective Action**

The Superintendent and Business Manager will meet monthly to review bank statements and reconciliation reports to ensure accuracy. The Business Manager will provide a balanced reconciliation report to the Superintendent for sign off and the reconciliation report will be included in the monthly school board meeting packet for proper oversight.

**Planned Completion Date**

June 30, 2024

**2023-005****Contact Person**

Rhonda Zastoupil, Business Manager

**Planned Corrective Action**

The District will implement the auditor's recommendation.

**Planned Completion Date**

March 31, 2025

**2023-006****Contact Person**

Rhonda Zastoupil, Business Manager

**Planned Corrective Action**

The Business Manager will review the monthly reimbursement reports and supporting data prepared by Business Office staff for accuracy and sign off on the reimbursement request prior to submittal to the Department of Public Instruction.

**Planned Completion Date**

Immediately