

**NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
WALHALLA, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
ROSTER OF SCHOOL OFFICIALS (UNAUDITED)
AS OF JUNE 30, 2023

Shannon Cosley	President
Jared Hanson	Vice President
Heather Duerre	Board Member
Kirk Morrison	Board Member
Ashley Schafer	Board Member
Nick Chaput	Board Member
DeWilliam Moore	Board Member
Kendra Trupe	Business Manager
Seth Engelstad	Superintendent

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
North Border Public School District No. 100
Walhalla, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Border Public School District No. 100, 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 North Border Public School District No. 100, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of North Border Public School District No. 100 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 14 to the financial statements, the District restated previously reported net position and fund balance. Our opinion is not modified with respect to this matter.

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 the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional 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 North Border Public School District No. 100'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 North Border Public School District No. 100'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 TFFR/NDPERS retirement plans, schedule of District's Contributions to the NDPERS OPEB plan, schedule of District's proportionate share of net pension liability and schedule of District's proportionate share of net OPEB liability as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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 Statement of Revenues, Expenditures, and Changes in Fund Balance – General Fund and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the roster of school officials but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



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

June 3, 2024

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities
ASSETS	
Current Assets:	
Cash	\$ 3,519,353
Grants Receivable	606,679
Taxes Receivable	84,459
Total Current Assets	<u>4,210,491</u>
Non-Current Assets:	
Capital Assets	16,840,864
Less Accumulated Depreciation	<u>(9,905,474)</u>
Total Non-Current Assets	<u>6,935,390</u>
TOTAL ASSETS	<u>11,145,881</u>
DEFERRED OUTFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	813,762
Cost Sharing Defined Benefit Pension Plan - NDPERS	1,309,733
Cost Sharing Defined Benefit OPEB Plan - NDPERS	32,369
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,155,864</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	52,504
Accrued Liabilities	123,037
Total Current Liabilities	<u>175,541</u>
Non-Current Liabilities:	
Compensated Absences	11,054
Bonds Payable (Net of Current Portion)	2,670,000
Net OPEB Liability	61,697
Net Pension Liability	6,712,036
Total Non-Current Liabilities	<u>9,454,787</u>
TOTAL LIABILITIES	<u>9,630,328</u>
DEFERRED INFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	927,408
Cost Sharing Defined Benefit Pension Plan - NDPERS	848,106
Cost Sharing Defined Benefit OPEB Plan - NDPERS	6,573
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,782,087</u>
NET POSITION	
Net Investment in Capital Assets	4,265,390
Restricted for Special Reserve	368,448
Restricted for Student Activities	154,468
Restricted for Capital Projects	470,015
Unrestricted	<u>(3,368,991)</u>
TOTAL NET POSITION	<u>\$ 1,889,330</u>

See Notes to the Financial Statements

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES				
Student Support Services:				
Business Support Services	\$ 6,875	\$ -	\$ -	\$ (6,875)
Instructional Media Services	151,819	-	-	(151,819)
Guidance Services	79,000	-	-	(79,000)
General Administration	347,195	-	-	(347,195)
School Administration	412,838	-	-	(412,838)
Operations and Maintenance	791,092	-	-	(791,092)
Transportation	240,925	-	121,075	(119,850)
Regular Instruction	2,615,906	-	631,741	(1,984,165)
Tuition	13,926	-	-	(13,926)
Special Education	925,269	-	140,739	(784,530)
Career and Technical Education	207,035	-	36,210	(170,825)
Extracurricular Activities	403,607	-	154,468	(249,139)
Food Service	373,915	106,349	125,272	(142,294)
Interest and Fees on Long-Term Debt	92,112	-	-	(92,112)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 6,661,514	\$ 106,349	\$ 1,209,505	(5,345,660)
GENERAL REVENUES				
Property Taxes, Levied for General Purposes				1,888,281
Property Taxes, Levied for Capital Projects				142,884
Aids and Payments from the State				3,867,111
Unrestricted Investment Earnings				7,825
Gain on Sale of Capital Assets				5,800
Other Revenues				49,874
TOTAL GENERAL REVENUES				5,961,775
Change in Net Position				616,115
Net Position - Beginning				1,132,447
Prior Period Restatement - See Note 14				140,768
Net Position - Beginning as Restated				1,273,215
Net Position - Ending				\$ 1,889,330

See Notes to the Financial Statements

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF JUNE 30, 2023

	General Fund	Special Reserve Fund	Building Fund	Food Service Fund	Total Governmental Funds
ASSETS					
Cash	\$ 2,633,497	\$ 368,448	\$ 464,918	\$ 52,490	\$ 3,519,353
Property Taxes Receivable	79,362	-	5,097	-	84,459
Grants Receivable	606,679	-	-	-	606,679
TOTAL ASSETS	<u>\$ 3,319,538</u>	<u>\$ 368,448</u>	<u>\$ 470,015</u>	<u>\$ 52,490</u>	<u>\$ 4,210,491</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Accounts Payable	\$ 52,504	\$ -	\$ -	\$ -	\$ 52,504
Accrued Liabilities	123,037	-	-	-	123,037
TOTAL LIABILITIES	<u>175,541</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>175,541</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Delinquent Taxes	68,369	-	4,615	-	72,984
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>68,369</u>	<u>-</u>	<u>4,615</u>	<u>-</u>	<u>72,984</u>
FUND BALANCES					
Restricted	154,468	368,448	465,400	-	988,316
Assigned	-	-	-	52,490	52,490
Unassigned	2,921,160	-	-	-	2,921,160
TOTAL FUND BALANCES	<u>3,075,628</u>	<u>368,448</u>	<u>465,400</u>	<u>52,490</u>	<u>3,961,966</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 3,319,538</u>	<u>\$ 368,448</u>	<u>\$ 470,015</u>	<u>\$ 52,490</u>	<u>\$ 4,210,491</u>

See Notes to the Financial Statements

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2023

Total fund balance - governmental funds	\$ 3,961,966
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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 as assets in governmental funds.

Cost	\$ 16,840,864	
Less: Accumulated Depreciation	<u>(9,905,474)</u>	
Net		6,935,390

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

373,777

Property taxes receivable will be collected during the year, but are not available soon enough to pay for the current period's expenditures, and, therefore are unearned in the funds.

72,984

Long-term liabilities are not due and payable in the current period and, therefore are not reported as liabilities in the funds. These long-term liabilities consisted of the following:

Bonds Payable		(2,670,000)
Compensated Absences		(11,054)
Net OPEB Liability		(61,697)
Net Pension Liability		<u>(6,712,036)</u>

Net Position - Governmental Activities

\$ 1,889,330

See Notes to the Financial Statements

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Special Reserve Fund	Building Fund	Food Service Fund	Total Governmental Funds
REVENUES					
Local Property Taxes	\$ 1,864,708	\$ -	\$ 142,884	\$ -	\$ 2,007,592
Other Local Sources	210,141	-	-	106,349	316,490
Revenue from State Sources	4,037,282	-	-	738	4,038,020
Revenue from Federal Sources	759,595	-	-	124,534	884,129
Interest	7,086	303	398	38	7,825
TOTAL REVENUES	6,878,812	303	143,282	231,659	7,254,056
EXPENDITURES					
Current:					
Student Support Services:					
Business Support Services	6,875	-	-	-	6,875
Instructional Media Services	151,819	-	-	-	151,819
Guidance Services	79,000	-	-	-	79,000
General Administration	347,195	-	-	-	347,195
School Administration	412,838	-	-	-	412,838
Operations and Maintenance	568,594	-	-	-	568,594
Transportation	210,247	-	-	-	210,247
Regular Instruction	2,651,075	-	-	-	2,651,075
Tuition	13,926	-	-	-	13,926
Special Education	925,269	-	-	-	925,269
Career and Technical Education	207,035	-	-	-	207,035
Extracurricular Activities	403,607	-	-	-	403,607
Food Service	158,009	-	-	215,906	373,915
Capital Outlay:					
Capital Outlay	234,565	-	-	-	234,565
Debt and Service:					
Principal Retirement	-	-	185,000	-	185,000
Interest and Fees on Long-Term Debt	-	-	92,112	-	92,112
TOTAL EXPENDITURES	6,370,054	-	277,112	215,906	6,863,072
Excess (Deficiency) of Revenues Over Expenditures	508,758	303	(133,830)	15,753	390,984
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	150,000	-	150,000
Transfers Out	(150,000)	-	-	-	(150,000)
TOTAL OTHER FINANCING SOURCES (USES)	(150,000)	-	150,000	-	-
Net Change in Fund Balances	358,758	303	16,170	15,753	390,984
Fund Balances - Beginning of Year	2,586,172	368,145	449,230	26,667	3,430,214
Prior Period Restatement - See Note 14	130,698	-	-	10,070	140,768
Fund Balances - Beginning of Year, as Restated	2,716,870	368,145	449,230	36,737	3,570,982
Fund Balances - End of Year	\$ 3,075,628	\$ 368,448	\$ 465,400	\$ 52,490	\$ 3,961,966

See Notes to the Financial Statements

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE DISTRICT-WIDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Total net change in fund balances - Governmental Funds	\$ 390,984
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Amounts reported for Governmental Activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 234,565	
Depreciation expense	<u>(253,176)</u>	(18,611)

Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position.	185,000
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Change in OPEB liability	(32,251)
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Change in net pension liability	(2,267,903)
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(Increase) Decrease in compensated absences	11,598
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Some revenues will not be collected for several months after the District's fiscal year end. These revenues are not considered "available" revenues in the governmental funds. These consist of:

Net change in deferred property taxes	23,573
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Changes in deferred outflows and inflows of resources related to net pension liability	<u>2,323,725</u>
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Change in Net Position - Governmental Activities	<u><u>\$ 616,115</u></u>
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See Notes to the Financial Statements

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023

	Private-Purpose Trust Fund
ASSETS	
Cash and Cash Equivalents	\$ <u>3,413</u>
NET POSITION	
Restricted for Scholarships	\$ <u>3,413</u>

See Notes to the Financial Statements

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

	Custodial Fund	Private-Purpose Trust Fund
ADDITIONS		
Interest	\$ -	\$ 11
Net Increase (Decrease) in Fiduciary Net Position	-	11
Net Position - Beginning	166,659	3,402
Prior Period Restatement - See Note 14	(166,659)	-
Net Position - Ending	\$ -	\$ 3,413

See Notes to the Financial Statements

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2023

NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

North Border Public School District No. 100 operates the public schools in the Cities of Walhalla, North Dakota and Pembina, North Dakota. There is one elementary school and one junior/senior high school that is enclosed in one building in each City.

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

Based upon the application of these criteria, the following is a brief review of each potential component unit addressed defining the government's reporting entity:

Included within the reporting entity:

BLENDED COMPONENT UNIT: Blended component units, although legally separate entities, are in substance part of the government's operations and so data from this unit is combined with data from the primary government.

North Border School District Building Authority – the school board as a legally separate entity created the building authority. Its purpose is to promote the educational system of the school district by providing financing for use by the school in altering, repairing, maintaining or constructing buildings and making any improvements connected to school buildings. The school board is the governing board of the building authority.

Financial information of the North Border School District Building Authority, including records of revenues and expenditures, may be obtained by submitting a written request to Superintendent, 605 10th St, Walhalla, North Dakota 58282.

The District's basic financial statements include all of the District's operations. The basic financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from North Border Public School District No. 100.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

Basis of Presentation:

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

Government-Wide Financial Statements:

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

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

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

As a general rule, the effect of inter-fund activity has been eliminated from the District-wide statements. The Government-wide financial statements do not include fiduciary funds of component units that are fiduciary in nature.

Fund Financial Statements:

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

Fund Accounting

The District's funds consist of the following:

Governmental Funds:

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

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

General Fund

This fund is the general operating fund of the District. It accounts for all financial resources except those requiring to be accounted for in another fund, including the Student Activity Fund.

Special Reserve Fund

The Special Reserve fund is used to account for the proceeds of certain specific revenue sources that are committed for specified purposes.

Building Fund

The Building fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for acquiring school sites, constructing and equipping new school facilities and renovating existing facilities.

Food Service Fund

This Food Service fund is used to account for the accumulation of revenue and proceeds and for the payments of expenditures related to the providing of meals at the District.

Fiduciary Funds:

Private-Purpose Trust Fund

The reporting entity includes a private-purpose trust fund which is used to account for the accumulation of resources for the distribution of scholarships. This fund accounts for assets held by the District for scholarships.

Measurement Focus and Basis of Accounting

Measurement Focus:

Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred inflows and outflows of resources, and liabilities associated with the 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.

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

Basis of Accounting:

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

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

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

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

Revenues - Exchange and Non-Exchange Transactions:

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

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

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

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

Unearned Revenues:

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

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

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

Expenses and Expenditures:

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

Budgets and Budgetary Accounting:

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

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

1. The administration prepares the District's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.
2. The Board reviews the budget, may make revisions, and adopts the final budget on or before August 15th of each year. The budget is then filed with the county auditor by August 25th of each year.
3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10th of each year. The budget amounts shown in the financial statements are the final authorized amounts.
4. All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

Cash and Cash Equivalents:

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

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

Investments:

Investments are recorded at market value. North Dakota State statute authorizes school districts to invest their surplus funds in: a) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentality's, or organizations created by an act of Congress, b) Securities sold under agreements to repurchase, written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above, c) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation of the state, and d) Obligations of the state.

Fair Value Measurements:

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

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

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

Capital Assets:

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

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

Building	25 to 50 Years
Equipment	5 to 25 Years
Vehicles	10 Years

Short-Term and Long-Term Obligations:

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

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

Compensated Absences:

Employees of the District have vacation time provided but are not allowed to carry over vacation time. Teachers are granted twelve days of sick leave each year and may accumulate up to ninety days of sick leave, with any days over ninety at year end being paid out at \$20 per day. Sick leave is not paid upon employees leaving the employment of the District. Employees can accumulate Personal Leave and Sick Time. Unused personal leave and accumulated sick time for qualified employees is reported in the Government –Wide Statement of Net Position. Each teacher is granted four days of personal leave each year and may accumulate up to five days of personal leave, with one personal leave day allowed to carry over and four new personal leave days provided on July 1 of each fiscal year.

Pensions:

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

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

Other Post-Employment Benefits (OPEB):

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

Fund Balance Classifications:

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

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

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

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

The school board has set a General Fund minimum fund balance target at 25% of expenditures and recurring transfers.

Deferred Outflows/Inflows of Resources:

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

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

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

Net Position:

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Inter-fund Activity:

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds.

Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Inter-fund activities within the District's governmental activities and its business-type activities, is eliminated in the statement of activities.

Estimates:

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

Revenue Recognition - Property Taxes:

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

Property taxes attach as an enforceable lien on property January 1. A five percent reduction is allowed if paid by February 15. Penalty and interest are added March 15 if the first half of the taxes have not been paid. Additional penalties are added October 15, if not paid. Taxes are collected by the county and usually remitted monthly to the School District.

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

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

Significant Group Concentrations of Credit Risk:

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

NOTE 3 CASH AND CASH EQUIVALENTS

Custodial Credit Risk – Deposits:

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

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

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

At June 30, 2023, the carrying amount of the District's deposits was \$3,522,766 and the bank balance was \$3,551,397. The entire bank balance was covered by Federal Depository Insurance or by collateral held by the District's agent in the District's name in amounts sufficient to meet North Dakota legal requirements.

Credit Risk:

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

- a. Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress.
- b. Securities sold under agreements to repurchase, written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.
- c. Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation or the state.
- d. Obligations of the state.

Interest Rate Risk:

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

Concentration of Credit Risk:

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

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

Custodial Credit Risk – Investments:

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

NOTE 4 CAPITAL ASSETS

The following is a summary of changes in the capital asset account group during the year:

Governmental Activities	Balance July 1, 2022	Additions	Disposals	Balance June 30, 2023
Capital Assets Not Being Depreciated				
Land	\$ 58,625	\$ -	\$ -	\$ 58,625
Construction in Progress	33,450	14,525	-	47,975
Total Capital Assets Not Being Depreciated	<u>92,075</u>	<u>14,525</u>	<u>-</u>	<u>106,600</u>
Capital Assets Being Depreciated				
Buildings	15,536,014	25,552	-	15,561,566
Equipment	692,170	17,438	-	709,608
Vehicles	347,440	177,050	61,400	463,090
Total Capital Assets Being Depreciated	<u>16,575,624</u>	<u>220,040</u>	<u>61,400</u>	<u>16,734,264</u>
Less Accumulated Depreciation				
Buildings	8,952,282	180,945	-	9,133,227
Equipment	519,890	41,552	-	561,442
Vehicles	241,526	30,679	61,400	210,805
Total Accumulated Depreciation	<u>9,713,698</u>	<u>253,176</u>	<u>61,400</u>	<u>9,905,474</u>
Net Capital Assets Being Depreciated	<u>6,861,926</u>	<u>(33,136)</u>	<u>-</u>	<u>6,828,790</u>
Net Capital Assets for Governmental Activities	<u>\$ 6,954,001</u>	<u>\$ (18,611)</u>	<u>\$ -</u>	<u>\$ 6,935,390</u>

Construction in Progress as of June 30, 2023 consisted of \$33,450 for a playground project in Walhalla, North Dakota and \$14,525 for a playground project in Pembina, North Dakota. The District had no construction commitments related to the project as of June 30, 2023.

In the governmental activities statement of activities, depreciation expense was charged to the following governmental functions:

Operations and Maintenance	\$ 222,498
Transportation	30,678
Total	<u>\$ 253,176</u>

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

NOTE 5 LONG-TERM DEBT

The School District issued bonds in prior years to provide funding for the construction of additions and improvements to existing facilities. Long-term debt is as follows:

	Balance 7/1/2022	Additions	Retirements	Balance 6/30/2023	Due in One Year
Lease Revenue Bond Series 2015	\$ 2,855,000	\$ -	\$ 185,000	\$ 2,670,000	\$ -
Compensated Absences	22,652	-	11,598	11,054	-
Total	<u>\$ 2,877,652</u>	<u>\$ -</u>	<u>\$ 196,598</u>	<u>\$ 2,681,054</u>	<u>\$ -</u>

The North Border Public School District Building Authority Lease Revenue Bonds, Series 2015 were issued on December 22, 2015, for \$3,970,000. The proceeds of the bonds were used for construction. The issue matures over a period of twenty (20) years and principal payments are due annually through August 1, 2035. Interest is paid semi-annually in August and February at 2% to 3.6%.

Compensated absences are generally liquidated through the general fund.

Interest expense was \$92,112 for the year ended June 30, 2023.

Annual debt service requirements to maturity for the long-term debt are as follows:

Year Ending June 30	2015 Lease Revenue Bonds		
	Principal	Interest	Total
2024	\$ -	\$ 43,035	\$ 43,035
2025	185,000	83,295	268,295
2026	195,000	77,595	272,595
2027	200,000	71,670	271,670
2028	205,000	65,595	270,595
2029-2033	1,120,000	228,555	1,348,555
2034-2036	765,000	41,785	806,785
Total	<u>\$ 2,670,000</u>	<u>\$ 611,530</u>	<u>\$ 3,281,530</u>

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

NOTE 6 FUND BALANCES

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

	General Fund	Special Reserve	Building Fund	Food Service Fund	Total
Restricted for:					
Student Activities	\$ 154,468	\$ -	\$ -	\$ -	\$ 154,468
Capital Projects	-	-	465,400	-	465,400
Special Reserve	-	368,448	-	-	368,448
Assigned to:					
Food Service	-	-	-	52,490	52,490
Unassigned					
General Fund	2,921,160	-	-	-	2,921,160
Total	<u>\$ 3,075,628</u>	<u>\$ 368,448</u>	<u>\$ 465,400</u>	<u>\$ 52,490</u>	<u>\$ 3,961,966</u>

NOTE 7 DEFINED BENEFIT PENSION PLANS - STATEWIDE

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

Disclosures relating to these plans follow:

North Dakota 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.

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

Pension 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 \$4,837,084 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 0.332205%, which was a decrease of 0.018073% from its proportion measured at July 1, 2021.

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

For the year ended June 30, 2023, the Employer recognized pension expense of \$142,393. 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	\$ 20,845	\$ 129,148
Changes in actuarial assumptions	98,357	-
Difference between projected and actual investment earnings	362,305	-
Changes in proportion	(2)	798,260
Contributions paid to TFFR subsequent to the measurement date	332,257	-
Total	\$ 813,762	\$ 927,408

\$332,257 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	Pension Expense Amount
2024	\$ (139,592)
2025	(128,971)
2026	(159,906)
2027	192,146
2028	(87,637)
Thereafter	(121,943)

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.

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	55.00%	6.61%
Global Fixed Income	26.00%	0.40%
Global Real Assets	18.00%	4.60%
Cash Equivalents	1.00%	-1.10%

Discount Rate

The discount rate used to measure the total pension liability was 7.25% 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 TFFR's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on TFFR investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2022.

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

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

The following presents the net pension liability of the TFFR employers calculated using the discount rate of 7.25% as of June 30, 2022, as well as what the Employer's 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 6.25%	Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
School's proportionate share of the TFFR net pension liability:	\$ 6,645,710	\$ 4,837,084	\$ 3,337,057

Pension Plan Fiduciary Net Position

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

North Dakota Public Employees' Retirement System

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. 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

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

January 1, 2024. If the changes cannot be accomplished by then, the effective date will be January 1, 2025.

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

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

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

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

At June 30, 2023, the District reported a liability of \$1,874,952 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 0.065101%, which was a decrease of 0.007182% from its proportion measured at June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$241,185. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 9,780	\$ 35,815
Difference between contribution and proportionate share contribution	57,884	117,179
Changes in actuarial assumptions	1,121,249	695,112
Difference between projected and actual investment earnings	68,623	-
Contributions paid to NDPERS subsequent to the measurement date	52,197	-
Total	<u>\$ 1,309,733</u>	<u>\$ 848,106</u>

\$52,197 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:

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

Year Ending June 30:	Pension Expense Amount
2024	\$ 123,333
2025	148,223
2026	(18,034)
2027	155,908

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.

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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

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

Discount Rate. For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

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

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

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

	1% Decrease in Discount Rate 4.10%	Discount Rate 5.10%	1% Increase in Discount Rate 6.10%
School's proportionate share of the NDPERS net pension liability:	\$ 2,474,808	\$ 1,874,952	\$ 1,382,491

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

NOTE 8 DEFINED BENEFIT OPEB PLAN

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.

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

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

OPEB Benefits

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

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

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

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

At June 30, 2023, the District reported a liability of \$61,697 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 0.051401 percent, which was a decrease of 0.001543% from June 30, 2021.

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

For the year ended June 30, 2023, the District recognized OPEB expense of \$9,059. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,463	\$ 531
Changes of assumptions	15,541	-
Net difference between projected and actual earnings on OPEB plan investments	8,307	-
Changes in proportion and differences between employer contributions and proportionate share of contribution	1,524	6,042
District contributions subsequent to the measurement date	5,534	-
Total	<u>\$ 32,369</u>	<u>\$ 6,573</u>

\$5,534 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:

2024	\$ 5,258
2025	4,856
2026	3,804
2027	6,344

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

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

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

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

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

Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the Plans as of June 30, 2022, calculated using the discount rate of 5.39%, 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 4.39%	Discount Rate 5.39%	1% Increase in Discount Rate 6.39%
District's proportionate share of the net OPEB liability	\$ 78,753	\$ 61,697	\$ 47,379

Pension Plan Fiduciary Net Position

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

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

NOTE 9 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

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

The State Bonding Fund currently provides the District with blanket fidelity bond coverage with a limit of \$1,500,000. The State Bonding Fund does not currently charge a premium for this coverage.

The District carries commercial insurance for employee's health and the District also participates in the workers' compensation program through the State of North Dakota. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 10 TRANSFERS

The District transferred internal District funds of \$150,000 from the General Fund to the Building Fund for capital improvements and general operating expenses.

NOTE 11 CONTINGENT LIABILITIES

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2023, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 12 NON-MONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its food service program. The market value of commodities received for the year ended June 30, 2023 was \$20,162.

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

NOTE 13 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.

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

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

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

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

NOTE 14 RESTATEMENT OF NET POSITION AND FUND BALANCE

The District modified its accounting for GASB Statement No. 84, *Fiduciary Activities* and posted a correction for prior year accounts payable in the Food Service Fund and prior year health insurance payable in the General Fund. As a result, beginning net position and fund balance have been restated to reflect the changes as of July 1, 2022, as follows:

Net Position July 1, 2022 as previously reported	\$1,132,447
Restatement for fiduciary accounting:	
Student Activity Fund balance	166,659
Restatement for prior period adjustment:	
Correction of Food Service Fund Balance	10,070
Correction of General Fund Fund Balance	(35,961)
Net Position July 1, 2022 as restated	<u>\$1,273,215</u>
 Fiduciary Net Position July 1, 2022 as previously reported	 \$ 166,659
Restatement for fiduciary accounting:	
Student Activity Fund balance	(166,659)
Net Position July 1, 2022 as restated	<u>\$ -</u>
 General Fund Balance July 1, 2022 as previously reported	 \$2,586,172
Restatement for additional health insurance payable	(35,961)
Restatement for fiduciary accounting:	
Student Activity Fund Balance	166,659
General Fund Balance July 1, 2022 as restated	<u>\$2,716,870</u>
 Food Service Fund Balance July 1, 2022 as previously reported	 \$ 26,667
Restatement for prior period adjustment:	
Correction of Food Service Fund balance	10,070
Food Service Fund Balance July 1, 2022 as restated	<u>\$ 36,737</u>

NOTE 15 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through June 3, 2024, which is the date these financial statements were available to be issued.

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>		
	<u>Original / Final</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
REVENUES			
Local Property Taxes	\$ 1,917,493	\$ 1,864,708	\$ (52,785)
Other Local Sources	79,798	210,141	130,343
Revenue from State Sources	4,288,069	4,037,282	(250,787)
Revenue from Federal Sources	359,422	759,595	400,173
Interest	5,000	7,086	2,086
TOTAL REVENUES	<u>6,649,782</u>	<u>6,878,812</u>	<u>229,030</u>
EXPENDITURES			
Student Support Services:			
Business Support Services	7,000	6,875	(125)
Instructional Media Services	128,571	151,819	23,248
Guidance Services	73,000	79,000	6,000
General Administration	393,272	347,195	(46,077)
School Administration	438,644	412,838	(25,806)
Operations and Maintenance	634,136	568,594	(65,542)
Transportation	241,647	210,247	(31,400)
Regular Instruction	2,599,381	2,651,075	51,694
Tuition	27,602	13,926	(13,676)
Special Education	970,370	925,269	(45,101)
Career and Technical Education	284,794	207,035	(77,759)
Capital Outlay	322,578	234,565	(88,013)
Food Service	154,365	158,009	3,644
Extracurricular Activities	307,840	403,607	95,767
TOTAL EXPENDITURES	<u>6,583,200</u>	<u>6,370,054</u>	<u>(213,146)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>66,582</u>	<u>508,758</u>	<u>442,176</u>
OTHER FINANCING SOURCES (USES)			
Transfer Out	<u>(165,000)</u>	<u>(150,000)</u>	<u>15,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(165,000)</u>	<u>(150,000)</u>	<u>15,000</u>
Net Change in Fund Balances	(98,418)	358,758	457,176
Fund Balances - Beginning of Year	<u>2,586,172</u>	<u>2,586,172</u>	<u>-</u>
Prior Period Restatement - See Note 14	<u>130,698</u>	<u>130,698</u>	<u>-</u>
Fund Balances - Beginning of Year, as Restated	<u>2,716,870</u>	<u>2,716,870</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 2,618,452</u>	<u>\$ 3,075,628</u>	<u>\$ 457,176</u>

See Note to the Budgetary Comparison Schedule

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
NOTE TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 BUDGETARY COMPARISON

Budgets and Budgetary Accounting:

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

A budget is not adopted for the Special Reserve, Building, Food Service, and Student Activity funds.

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

1. The administration prepares the District's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.
2. The Board reviews the budget, may make revisions, and adopts the final budget on or before August 15th of each year. The budget is then filed with the county auditor by August 25th of each year.
3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10th of each year. The budget amounts shown in the financial statements are the final authorized amounts.
4. All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

A District legally adopts a budget for the general fund and does not legally adopt a budget for the Special Reserve, Building, Food Service, and Student Activity funds.

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE TFFR/NDPERS RETIREMENT PLANS
LAST TEN YEARS

Teachers Fund for Retirement

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2023	\$ 332,257	\$ (332,257)	-	\$ 2,605,930	12.75%
2022	344,198	(344,198)	-	2,699,594	12.75%
2021	355,553	(355,553)	-	2,788,632	12.75%
2020	352,818	(352,818)	-	2,767,199	12.75%
2019	347,860	(347,860)	-	2,728,317	12.75%
2018	360,561	(360,561)	-	2,827,925	12.75%
2017	368,366	(368,366)	-	2,889,141	12.75%
2016	324,502	(324,502)	-	2,545,237	12.75%
2015	284,805	(284,805)	-	2,649,367	10.75%

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	\$ 52,197	\$ (52,197)	-	\$ 697,374	7.48%
2022	60,363	(60,363)	-	818,525	7.37%
2021	55,003	(55,003)	-	776,787	7.08%
2020	47,397	(47,397)	-	651,014	7.28%
2019	50,087	(50,087)	-	680,029	7.37%
2018	46,841	(46,841)	-	645,968	7.25%
2017	45,810	(45,810)	-	632,756	7.24%
2016	32,705	(32,705)	-	430,571	7.60%
2015	31,132	(31,132)	-	437,249	7.12%

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

See Note to the Required Supplementary Information

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE NDPERS OPEB PLANS
LAST TEN YEARS

North Dakota Public Employees Retirement System - OPEB

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered - Employee Payroll	Contributions as a Percentage of Covered - Employee Payroll
2023	\$ 5,534	\$ 5,534	\$ -	\$ 485,451	1.14%
2022	6,941	6,941	-	577,226	1.20%
2021	8,286	8,286	-	705,294	1.17%
2020	7,571	7,571	-	651,014	1.16%
2019	7,976	7,976	-	680,029	1.17%
2018	7,509	7,509	-	645,968	1.16%

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

See Note to the Required Supplementary Information

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST TEN 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) (a)	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	0.332205%	\$ 4,837,084	\$ 2,614,164	185.03%	67.50%
2022	0.350278%	3,690,727	2,699,594	136.71%	75.70%
2021	0.382181%	5,849,309	2,788,632	209.76%	63.40%
2020	0.394453%	5,432,614	2,767,199	196.32%	65.50%
2019	0.401336%	5,349,234	2,728,317	196.06%	65.50%
2018	0.418970%	5,754,656	2,827,925	203.49%	63.20%
2017	0.446710%	6,514,697	2,889,141	225.49%	59.20%
2016	0.413789%	5,411,761	2,545,237	212.62%	62.10%
2015	0.456746%	4,785,888	2,649,367	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) (a)	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	0.065101%	\$ 1,874,952	\$ 755,718	248.10%	54.47%
2022	0.072283%	753,406	818,525	92.04%	78.26%
2021	0.070417%	2,215,334	776,787	285.19%	48.91%
2020	0.062587%	733,565	651,014	112.68%	71.66%
2019	0.066195%	1,117,113	680,029	164.27%	62.80%
2018	0.063278%	1,017,085	645,968	157.45%	61.98%
2017	0.062788%	611,930	632,756	96.71%	70.46%
2016	0.048331%	328,643	430,571	76.33%	77.15%
2015	0.051906%	329,458	437,219	75.35%	77.70%

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

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

See Note to the Required Supplementary Information

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
LAST TEN 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	District's proportionate share of the net OPEB liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2023	0.0514%	\$ 61,697	\$ 530,671	11.63%	56.28%
2022	0.0529%	29,446	577,226	5.10%	76.63%
2021	0.0619%	52,044	705,294	7.38%	63.38%
2020	0.0583%	46,860	651,014	7.20%	63.13%
2019	0.0621%	48,946	680,029	7.20%	61.89%
2018	0.0597%	47,231	645,968	7.31%	59.78%

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. 75 for its fiscal year ended June 30, 2018. Information for prior years is not available.

See Note to the Required Supplementary Information

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 CHANGES OF BENEFIT TERMS AND ASSUMPTIONS

TFFR

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

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

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

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

NDPERS

Changes of benefit terms.

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

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

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

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

REVENUES

LOCAL PROPERTY TAXES

Local Property Taxes	\$ 1,864,708
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OTHER LOCAL SOURCES

Telecommunications Tax	30,121
Drivers Education Programs	4,025
Other Local Sources	21,527
Student Activity Revenues - Fund 06	154,468
Total Other Local Sources	210,141

REVENUE FROM STATE SOURCES

Per Pupil Aid	3,867,111
Transportation Aid	121,075
Child Placement Aid	14,134
Vocational Aid	33,279
Other State Sources	1,683
Total Revenue from State Sources	4,037,282

REVENUE FROM FEDERAL SOURCES

Title I - Grants to LEA's	88,809
Title II - A	51,930
Carl Perkins	2,931
ESSER II	76,786
ESSER III	539,139
Total Revenue from Federal Sources	759,595

INTEREST INCOME

	7,086
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TOTAL REVENUES

	\$ 6,878,812
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NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

EXPENDITURES

STUDENT SUPPORT SERVICES

Business Support Services	\$ 6,875
Instructional Media Services	151,819
Guidance Services	79,000
General Administration - Board of Education	164,523
General Administration - School Board Election Svc	2,393
General Administration - Superintendent	180,278
School Administration - Principal	412,838
Operations and Maintenance	568,595
Transportation	210,247
Total Student Support Services	<u>1,776,568</u>

REGULAR INSTRUCTION

Kindergarten Instruction	124,527
Elementary Instruction	845,265
Junior High Instruction	133,663
Senior High Instruction	840,706
Drivers Education	12,808
Carl Perkins	2,931
Choice Ready	4,617
Title Programs	161,911
ESSER Learning Loss	523,427
Other Federal Programs	1,220
Total Regular Instruction	<u>2,651,075</u>

TUITION	<u>13,926</u>
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SPECIAL EDUCATION

Special Education Tuition	202,461
Intellectual Disabilities	4,051
Visually Handicapped	25,152
Speech Impaired	69,889
Other Health Impaired	105,960
Autism Programs	85,533
Emotionally Disturbed	42,527
Learning Disabled	389,696
Total Special Education	<u>925,269</u>

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

EXPENDITURES - CONTINUED

CAREER AND TECHNICAL EDUCATION

Family and Consumer Sciences (FACS)	\$ 84,430
Industrial Arts	70,038
Office Occupations	<u>52,567</u>
Total Career and Technical Education	<u>207,035</u>

EXTRACURRICULAR ACTIVITIES

Student Transportation (Fund 01)	71,923
Student Activities (Fund 01)	185,502
Student Activities (Fund 06)	<u>146,182</u>
Total Career and Technical Education	<u>403,607</u>

FOOD SERVICE	<u>158,009</u>
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CAPITAL OUTLAY	<u>234,565</u>
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TOTAL EXPENDITURES	<u>6,370,054</u>
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Excess (Deficiency) of Revenues Over Expenditures	<u>508,758</u>
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OTHER FINANCING SOURCES (USES)

Transfers Out	<u>(150,000)</u>
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TOTAL OTHER FINANCING SOURCES (USES)	<u>(150,000)</u>
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Net Change in Fund Balances	358,758
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Fund Balances - Beginning of Year	<u>2,586,172</u>
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Prior Period Restatement - See Note 14	<u>130,698</u>
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Fund Balances - Beginning of Year, as Restated	<u>2,716,870</u>
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Fund Balances - End of Year	<u><u>\$ 3,075,628</u></u>
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Education
North Border Public School District No. 100
Walhalla, 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 North Border Public School District No. 100 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 June 3, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Border Public School District No. 100's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 2023-001 and 2023-003 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 deficiency described in the accompanying schedule of findings and questioned costs as item 2023-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Border Public School District No. 100's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2023-003.

The District's Response to Findings

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

Purpose of This Report

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



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

June 3, 2024

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

To the Board of Education
North Border Public School District No. 100
Walhalla, North Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the North Border Public School District No. 100's compliance with the types of compliance requirements subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on North Border Public School District No. 100's major federal program for the year ended June 30, 2023. North Border Public School District No. 100's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, North Border Public School District No. 100 complied, in all material respects, with the referred to above that could have a direct and material effect on its major federal program 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 North Border Public School District No. 100 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 North Border Public School District No. 100'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 North Border Public School District No. 100'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 North Border Public School District No. 100'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 North Border Public School District No. 100'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 North Border Public School District No. 100'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 North Border Public School District No. 100'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 North Border Public School District No. 100'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 2023-004. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on North Border Public School District No. 100's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. North Border Public School District No. 100'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. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-004 to be a significant deficiency.

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

Government Auditing Standards requires the auditor to perform limited procedures on North Border Public School District No. 100's response to the internal control over the compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. North Border Public School District No. 100's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



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

June 3, 2024

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass- Through Number	Federal AL Number	Subtotals	Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Indirect Programs:				
Passed Through North Dakota Department of Public Instruction:				
<i>Child Nutrition Cluster:</i>				
National School Lunch Program - Commodities	F10555	10.555		\$ 20,162
National School Lunch Program	F10555	10.555		67,028
COVID-19 Supply Chain Assistance	F10555S	10.555		17,000
Fresh Fruit and Vegetables Program	F10582	10.582		9,185
School Breakfast Program	F10553	10.553		8,620
<i>Total Child Nutrition Cluster</i>				<u>121,995</u>
State Administrative Expenses (SAE) for Child Nutrition	F10560	10.560		<u>2,539</u>
Total Passed Through ND DPI and Total U.S. Department of Agriculture				<u>124,534</u>
<u>U.S. Department of Education</u>				
Indirect Programs:				
Passed Through the North Dakota Department of Human Services				
Elementary and Secondary School Emergency Relief Fund				
ESSER III COVID-19 - Best in Class Program	N/A	84.425U	75,000	
Passed Through North Dakota Department of Public Instruction:				
Elementary and Secondary School Emergency Relief Fund				
ESSER II COVID-19	F84425D	84.425D	76,786	
Elementary and Secondary School Emergency Relief Fund				
ESSER III COVID-19	F84425U	84.425U	<u>464,139</u>	615,925
Title I	F84010	84.010		88,809
Title II	F84367	84.367		37,909
Title IV	F84424	84.424		<u>14,021</u>
Total Passed Through North Dakota Department of Public Instruction:				<u>756,664</u>
Passed Through North Valley Career & Tech Center:				
Vocational Education (Carl Perkins Grant)	N/A	84.048		<u>2,931</u>
Total U.S. Department of Education				<u>759,595</u>
Total Federal Awards				<u>\$ 884,129</u>

See Notes to the Schedule of Expenditures of Federal Awards

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
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 under generally accepted accounting principles (U.S. GAAP). Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 2 INDIRECT COST RATE

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

NOTE 3 BASIS OF PRESENTATION

The accompanying Schedule includes the federal award activity of North Border Public School District No. 100 under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of North Border Public School District No. 100, it is not intended to be and does not present the financial position or changes in net position of North Border Public School District No. 100.

NOTE 4 COMMODITY DISTRIBUTION

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed.

NOTE 5 PASS-THROUGH ENTITIES

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

NOTE 6 SUBRECIPIENTS

During the year ending June 30, 2023, the District did not pass any federal money to subrecipients.

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
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:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u> x </u> yes <u> </u> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> x </u> yes <u> </u> no
Noncompliance material to financial statements noted?	<u> x </u> yes <u> </u> no

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u> </u> yes <u> x </u> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> x </u> yes <u> </u> none reported
Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u> x </u> yes <u> </u> no

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425U	Education Stabilization Fund - ESSER III / ESSER III COVID-19 Best in Class Program
84.425D	Education Stabilization Fund - ESSER II

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

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS
2023-001 Finding

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 Size 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.

Repeat Finding

See Finding 2022-001.

Recommendation

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

Management's Response

The District agrees with the recommendation. Due to additional costs, the District will continue to keep the staff at the current level. The School Board President does approve and sign all checks from all bank accounts before release. The financial statements are also reviewed by the School Board.

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

2023-002 Finding

Criteria

An appropriate system of internal controls requires the District to prepare financial statements and propose material journal entries 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 of Education. 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.

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

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

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

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

Repeat Finding

See Finding 2022-002.

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

Management's Response

The District will continue to have the auditor prepare the financial statements; however, the District has established an internal control policy to document the annual review of the financial statements. The District will work to determine proper balances and post adjustments prior to the audit.

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

2023-003 Finding

Criteria

North Dakota Century Code (NDCC) 15.1-09-34 states that the board of a school district may not enter a purchase contract involving the expenditure of an aggregate amount greater than fifty thousand dollars unless the school board has received and accepted the bid of the lowest responsible bidder.

Condition

The District purchased a new school bus in the amount of \$115,650. No bid documentation was able to be presented by the District to support compliance with NDCC 15.1-09-34.

Cause

Bids received by the District were not properly obtained and maintained.

Effect

The District is not in compliance with NDCC 15.1-09-34.

Repeat Finding

This is not a repeat finding.

Recommendation

We recommend the District follow the NDCC and obtain and maintain bid documentation on purchases in accordance with the District's record retention policy.

Management's Response

The District concurs with the finding and will evaluate future purchases in relation to North Dakota Century Code requirements.

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

SECTION III – FEDERAL AWARD FINDINGS AND QUESTION COSTS

2023-004 Finding - Reporting

Federal Program

All Programs.

Criteria

The Uniform Guidance states that an auditee must submit a data collection form and audit reporting package to the Federal Audit Clearinghouse within the earlier of the 30 days after receipt of the auditor's report or nine months after the end of the audit period.

Condition

The District's June 30, 2023, reporting package was not filed with the Federal Audit Clearinghouse within nine months of the District's year end.

Question Costs

None.

Context

The District's June 30, 2023, reporting package was not filed with the Federal Audit Clearinghouse within nine months of the District's year end.

Cause

Management oversight.

Effect

The District is not in compliance with Uniform Guidance reporting requirements.

Repeat Finding

This is not a repeat finding; however, the prior year data collection form and audit reporting package were not submitted within nine months after the end of the audit period.

Recommendation

The District's audit should be completed within nine months of the fiscal year end to allow for timely submission of the data collection form and reporting package.

View of Responsible Officials

The District's audit should be completed within nine months of the fiscal year end to allow for timely submission of the data collection form and reporting package.

NORTH BORDER SCHOOL DISTRICT #100

Neché-Pembina-Walhalla

Pembina Office
155 3rd Street
Pembina, ND 58271-4136
701-825-6261
Fax: 701-825-6645

Walhalla Office
605 10th Street
Walhalla, ND 58282-4033
701-549-3751
Fax 701-549-3753

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2023

2023-001 Finding

1. Correcting Plan

The District has the following procedures to mitigate the risk:

- a. Board approves and signs checks.
- b. Financial statements are reviewed monthly by the Board.

2. Explanation of Disagreement with the Audit Findings

There is essentially no disagreement with the finding.

3. Official Responsible for Insuring CAP

The Superintendent, Seth Engelstad, is responsible for carrying out the corrective action plan.

4. Planned Completion Date for CAP

The District will continually review internal controls over the accounting functions to determine if additional procedures can be implemented that are cost effective. As such, the completion date is ongoing.

5. Plan to Monitor Completion of CAP

The Superintendent will monitor the completion of the CAP, with reports to the Board of Education, on an annual basis.

2023-002 Finding

1. Correcting Plan

School District personnel will establish a policy to document review of financial statements and notes and adjust general ledger accounts prior to audit.

2. Explanation of Disagreement with the Audit Findings

There is essentially no disagreement with the finding.

3. Official Responsible for Insuring CAP

The Superintendent, Seth Engelstad, is responsible for carrying out the corrective action plan.

4. Planned Completion Date for CAP

School district personnel will attend training annually. The District will approve an internal control policy to document the review of the financial statements within the next 90 days. The journal entries identified will be implemented over a four-year time period.

5. Plan to Monitor Completion of CAP

The Superintendent will monitor the completion of the CAP, with reports to the Board of Education, on an annual basis.

AN EQUAL OPPORTUNITY EMPLOYER

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

2023-003 Finding

1. Correcting Plan
School District personnel will follow North Dakota Century Code requirements.
2. Explanation of Disagreement with the Audit Findings
There is essentially no disagreement with the finding.
3. Official Responsible for Insuring CAP
The Superintendent, Seth Engelstad, is responsible for carrying out the corrective action plan.
4. Planned Completion Date for CAP
School district personnel will attend training annually. Future purchases will be evaluated for bid requirements.
5. Plan to Monitor Completion of CAP
The Superintendent will monitor the completion of the CAP, with reports to the Board of Education, on an annual basis.

2023-004 Finding

1. Correcting Plan
School District personnel will establish a policy for completion of audits on a timely basis.
2. Explanation of Disagreement with the Audit Findings
There is essentially no disagreement with the finding.
3. Official Responsible for Insuring CAP
The Superintendent, Seth Engelstad, is responsible for carrying out the corrective action plan.
4. Planned Completion Date for CAP
School district personnel will attend training annually effective March 31, 2025.
5. Plan to Monitor Completion of CAP
The Superintendent will monitor the completion of the CAP, with reports to the Board of Education, on an annual basis.

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

2022-001 Finding

Criteria

The guidance relating to internal control is contained in Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This framework includes discussions about the importance of adequate risk assessment, code of conduct, and background investigations. Proper internal accounting control dictates that sufficient accounting personnel should exist so that incompatible duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the District.

Condition

The North Border Public School District No. 100, Walhalla, North Dakota has a lack of segregation of duties due to the limited number of administrative personnel. The District has one bookkeeper responsible for most accounting functions and general ledger maintenance.

Cause

There is no segregation of duties as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and prepare financial statements. This increases the risk of misstatement of the District's financial condition.

Effect

Without adequate fraud risk programs and controls the District exposes itself to risk of loss of assets, potential liabilities, and damage to reputation, whether due to error or fraud.

Recommendation

When there is a lack of segregation of duties, COSO primarily points to additional management review and/or reconciliations. Rotation of job duties may also help reduce risk when there is a lack of segregation of duties. We recommend the School Board increase oversight by applying periodic reviews and/or reconciliations. This may include the School Board reviewing transactions for supporting documentation, reviewing cash reconciliations or performing cash reconciliations independently, and actively reviewing the financial reports and corresponding schedules. School administration should consider requiring the bank reconciliation be reviewed and approved by someone separate from the individual preparing the reconciliation. Individuals responsible for authorizing and signing checks should be separate from the individuals responsible for printing and mailing checks. Two people should be responsible for counting cash and both should sign off on the cash counts. Monthly financial statements should be reviewed and approved by a responsible school board member.

Management's Response

The School Board President agrees with the recommendation. The School Board President does approve and sign all checks from all bank accounts before release. The financial statements are also reviewed by the School Board.

Corrective Action Taken

See 2023-001.

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

2022-002 Finding

Criteria

As a matter of internal control, management should be responsible and capable of preparing financial statements in conformity with generally accepted accounting principles.

Condition

Hurt, Mortenson & Rygh assists the North Border Public School District No. 100's management in preparing financial statements and disclosures that are presented in accordance with the modified accrual basis of accounting. The District's internal control system is not designed to provide for the preparation of the financial statements and accompanying notes to the financial statements.

Cause

The District's internal control system is not designed to provide for the preparation of the financial statements and accompanying notes to the financial statements.

Effect

Without the assistance of the auditors, the financial statements could be misstated or omit material financial statement disclosures.

Recommendation

We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. We further recommend that a responsible official review a current appropriate disclosure checklist or other guidance to ensure the financial statements contain all necessary disclosures.

Management's Response

The School Board President agrees with the recommendation. The School Board President does approve and sign all checks from all bank accounts before release. The financial statements are also reviewed by the School Board.

Corrective Action Taken

See 2023-002.