NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER
GRAFTON, NORTH DAKOTA

AUDITED BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER
ROSTER OF SCHOOL OFFICIALS - UNAUDITED
JUNE 30, 2023

Brad Brummond	President
Maggie Suda	Board Member
Jared Peterka	Board Member
Tom Fagerholt	Board Member
Michael Larson	Board Member
Michael Hanson	Director
Lisa Tucker	Business Manager

BradyMartz

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
North Valley Area Career and Technology Center
Grafton, 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 Valley Area Career and Technology Center, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Center'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 the North Valley Area Career and Technology Center, 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 the Center, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center'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 judgement made by a reasonable user based on the financial statements.

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

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

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

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

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

- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center'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 management's discussion and analysis, budgetary comparison information, schedules, and notes as listed in the table of contents as required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the roster of school officials on page 1, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2024 on our consideration of the Center'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 Center'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 Center's internal control over financial reporting and compliance.

Brady Martz

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

March 1, 2024

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

Financial Highlights

Key financial highlights for 2023 are as follows:

- Net position of the Center increased by $133,389 as a result of the current year's operations.
- Governmental net position totaled $(44,144).
- Total revenues were $4,788,615 compared to $2,718,318 for the prior year.
- Total expenses were $4,655,226 compared to $2,802,663 for the prior year.
- The Center's general fund had $4,805,823 in total revenues and other financing sources and $4,774,692 in expenditures. Overall, the general fund balance increased by $31,131 for the year ended June 30, 2023.

Using this Annual Report

This annual report consists of a series of financial statements and related footnotes. These statements are organized so the reader can understand North Valley Area Career and Technology Center as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

Reporting the School Center as a Whole

Statement of Net Position and the Statement of Activities

The view of the Center as a whole looks at all financial transactions and asks the question, "How did the Center do financially during the year ended June 30, 2023?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting similar to the accounting used by most private sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School Center's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the Center's major funds. The Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Center's most significant funds. The Center's major governmental fund is the General Fund.

Governmental Funds

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

Financial Analysis of the Center as a Whole

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

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

As indicated in the financial highlights, the Center's net position was $(44,144). Net position may serve over time as a useful indicator of the Center's financial position.

The Center's net position of $(44,144) is segregated into three separate categories. Net position invested in Capital Assets (net of related debt) represents $518,049 of the Center's net position. It should be noted that these assets are not available for future spending. Restricted net position represents $72,658 of the Center's net position. Unrestricted net position represents $(634,851) of the Center's net position. The unrestricted net position is available to meet the Center's ongoing obligations.

Table 1

	2023	2022
Assets		
Current Assets	$ 2,657,521	$ 1,075,610
Capital Assets (Net of Accumulated Depreciation)	518,049	334,929
Total Assets	3,175,570	1,410,539
Deferred Outflows of Resources	975,683	677,730
Liabilities		
Current Liabilities	1,731,882	181,102
Non-Current Liabilities	2,172,915	1,297,114
Total Liabilities	3,904,797	1,478,216
Deferred Inflows of Resources	290,600	787,586
Net Position		
Net Investment in Capital Assets	518,049	334,929
Restricted for Student Activities	72,658	61,596
Unrestricted	(634,851)	(574,058)
Total Net Position	$ (44,144)	$ (177,533)

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

Table 2

	2023	2022
Revenues		
Charges for Services	$ 1,273,491	$ 1,174,788
Operating Grants and Contributions	2,024,433	1,519,771
Capital Grants and Contributions	1,421,922	-
Interest Income	14,872	2,502
Gain on Sale of Capital Assets	14,492	-
Other	39,405	21,257
Total Revenues	4,788,615	2,718,318
Expenditures		
Instructional Support Services	2,720,753	2,308,918
Administration	215,839	186,705
Director	145,925	140,441
Operations and Maintenance	1,572,709	166,599
Total Expenditures	4,655,226	2,802,663
Change in Net Position	133,389	(84,345)
Net Position - Beginning	(177,533)	(93,188)
Net Position - Ending	$ (44,144)	$ (177,533)

Charges for services made up 27%, operating grants 42%, capital grants 30%, and interest income made up less than 1% of the total revenues of governmental activities of the Center for fiscal year 2023.

Instructional Support Services comprised 58%, Administration 5%, Director 3%, and Operations and Maintenance made up 34% of Center expenses.

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

Table 3

	Total Cost for Year Ended 6/30/2023	Net Cost for Year Ended 6/30/2023	Total Cost for Year Ended 6/30/2022	Net Cost for Year Ended 6/30/2022
Instruction	$ 2,720,753	$ 577,171	$ 2,308,918	$ 385,641
Administration	215,839	(215,839)	186,705	(186,705)
Director	145,925	(145,925)	140,441	(140,441)
Operations and Maintenance	1,572,709	(150,787)	166,599	(166,599)
Total Expenses	$ 4,655,226	$ 64,620	$ 2,802,663	$ (108,104)

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

Administration includes expenses associated with administrative and financial supervision of the Center.

Director includes expenses related to the Century 21 grant, which supports the education of the students.

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

Financial Analysis of the Center's Governmental Funds

The focus of the Center's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unassigned fund balance generally may be used as a measure of the Center's net resources available for spending at the end of the fiscal year. These funds are accounted for by using the modified accrual basis of accounting. The Center's governmental funds had total revenues of $4,788,615 and expenditures of $4,774,692 for the year ended June 30, 2023. As of June 30, 2023, the unassigned fund balance of the Center's general fund was $851,947.

Budget Highlights

During the course of the 2023 fiscal year, the Center received $3,663,878 less revenues and incurred $3,741,056 less expenditures than budgeted. This is primarily the result of less state and Federal income received during the year as well as less capital projects expenditures incurred than anticipated during the budgeting process.

Capital Assets

As of June 30, 2023, the Center had $518,049 invested in capital assets, net of accumulated depreciation. Table 4 shows balances as of June 30, 2023 and 2022 (see Note 4 for details).

Table 4

	2023	2022
Buildings	$ 6,161	$ 9,375
Equipment	353,438	258,054
Vehicles	158,450	67,500
Total	$ 518,049	$ 334,929

Debt Administration

As of June 30, 2023, the Center had no outstanding debt.

For the Future

The North Valley Area Career and Technology Center has benefited from adequate support of member school districts. The Center has also benefited from continued funding from the State of North Dakota. These elements have enabled the Center to meet many of its instructional and administrative staffing needs.

Contacting the Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. You may request a copy of this report by contacting Lisa Tucker, Business Manager, North Valley Area Career and Technology Center, 1540 School Road, Grafton, ND 58237, or email at lisa.tucker@k12.nd.us.

NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER
STATEMENT OF NET POSITION
JUNE 30, 2023

	2023
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 1,151,305
Investments	38,057
Intergovernmental Receivable	747,314
Accounts Receivable	719,811
Prepaid Expense	1,034
Total Current Assets	2,657,521
Non-Current Assets:	
Capital Assets	
Buildings	92,078
Equipment	1,131,376
Vehicles	184,073
Less Accumulated Depreciation	(889,478)
Total Non-Current Assets	518,049
TOTAL ASSETS	3,175,570
DEFERRED OUTFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	557,236
Cost Sharing Defined Benefit Pension Plan - NDPERS	406,103
Cost Sharing Defined Benefit OPEB Plan - NDPERS	12,344
TOTAL DEFERRED OUTFLOWS OF RESOURCES	975,683
LIABILITIES	
Current Liabilities:	
Due to Other Districts	1,637,092
Accrued Liabilities	94,790
Total Current Liabilities	1,731,882
Long-Term Liabilities:	
Compensated Absences	7,800
Net OPEB Liability	19,918
Net Pension Liability	2,145,197
Total Non-Current Liabilities	2,172,915
TOTAL LIABILITIES	3,904,797
DEFERRED INFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	56,104
Cost Sharing Defined Benefit Pension Plan - NDPERS	232,433
Cost Sharing Defined Benefit OPEB Plan - NDPERS	2,063
TOTAL DEFERRED INFLOWS OF RESOURCES	290,600
NET POSITION	
Net Investment in Capital Assets	518,049
Restricted for Student Activities	72,658
Unrestricted	(634,851)
TOTAL NET POSITION	$ (44,144)

See Notes to the Basic Financial Statements

NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES					
Instructional Support Services	$ 2,720,753	$ 1,273,491	$ 2,024,433	$ -	$ 577,171
Administration	215,839	-	-	-	(215,839)
Director	145,925	-	-	-	(145,925)
Operations and Maintenance	1,572,709	-	-	1,421,922	(150,787)
TOTAL GOVERNMENTAL ACTIVITIES	$ 4,655,226	$ 1,273,491	$ 2,024,433	$ 1,421,922	64,620
GENERAL REVENUES					
Interest Income					14,872
Gain on Sale of Capital Assets					14,492
Other General Revenues					39,405
TOTAL GENERAL REVENUES					68,769
Change in Net Position					133,389
Net Position - Beginning					(177,533)
Net Position - Ending					$ (44,144)

See Notes to the Basic Financial Statements

NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund
ASSETS	
Cash	$ 1,151,305
Investments	38,057
Intergovernmental Receivables	747,314
Accounts Receivable	719,811
Prepaid Items	1,034
TOTAL ASSETS	$ 2,657,521
LIABILITIES	
Due to Other Districts	$ 1,637,092
Accrued Liabilities	94,790
TOTAL LIABILITIES	1,731,882
FUND BALANCES	
Nonspendable	1,034
Restricted for Student Activities	72,658
Unassigned	851,947
TOTAL FUND BALANCES	925,639
TOTAL LIABILITIES AND FUND BALANCES	$ 2,657,521

See Notes to the Basic Financial Statements

NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total fund balances - governmental funds		$ 925,639
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 government funds:		
Cost of capital assets	$ 1,407,527	
Less: accumulated depreciation	(889,478)	
Net		518,049
Net deferred outflows/(inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows/(inflows) of resources in the governmental funds.		685,083
Long-term liabilities are not due and payable in the current period and therefore are not recorded as liabilities in the governmental funds.		
Compensated Absences		(7,800)
Net OPEB Liability		(19,918)
Net Pension Liability		(2,145,197)
Net Position - Governmental Activities		$ (44,144)

See Notes to the Basic Financial Statements

NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2023

	General Fund
REVENUES	
Local Sources	$ 1,327,768
Revenue from State Sources	1,141,117
Revenue from Federal Sources	2,305,238
TOTAL REVENUES	4,774,123
EXPENDITURES	
Current:	
Community Services Adult Education	168,793
Improvement of Instruction	30,373
School Board	32,596
Director	145,925
Administrative Assistant	183,243
Operation & Maintenance of Plant	150,787
Carl Perkins - Admin	11,416
Agriculture	506,287
Marketing	63,498
Health Careers	86,191
Consumer & Homemaking	8,208
Modern Business Technology	54,320
Auto Technology	132,070
Welding	120,549
Construction Trades	92,451
W/P Technology Cooperative	8,434
Vocational Guidance	538,201
Vocational Special Needs	136
Instructional Staff Training	99,048
Emerging Technology	67,636
Title IV - 21st Century	777,315
Student Activities	46,320
After School	5,752
Title I	20,000
Other Federal Programs	3,221
Capital Outlay	1,421,922
TOTAL EXPENDITURES	4,774,692
Excess (Deficiency) of Revenues over Expenditures	(569)
OTHER FINANCING SOURCES	
Proceeds on Disposal of Capital Assets	31,700
TOTAL OTHER FINANCING SOURCES	31,700
Net Change in Fund Balances	31,131
Fund Balance - Beginning of Year	894,508
Fund Balance - End of Year	$ 925,639

See Notes to the Basic Financial Statements

NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Total net change in fund balances - Governmental Funds		$ 31,131
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.		
Capital Outlays	$ 284,479	
Depreciation Expense	(84,151)	
Excess of capital outlay over depreciation expense		200,328
When recognizing the sale of capital assets, the governmental funds report the total proceeds of the sale. Only the gain or loss of the sale is reported on the statement of net position.		
Net book value of capital assets disposed		(17,208)
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These items consisted of the (increase)/decrease in:		
Compensated Absences		145
Changes in deferred outflows and inflows of resources related to net pension liability		794,939
Change in OPEB liability		(11,535)
Change in net pension liability		(864,411)
Change in net position - Governmental Activities		$ 133,389

See Notes to the Basic Financial Statements

NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023

		Custodial Funds
ASSETS		
Cash	$	442,794
Accounts Receivable		3,990
TOTAL ASSETS	$	446,784
LIABILITIES		
Accounts Payable	$	3,990
Accrued Liabilities for Red River Valley Education Coop		3,706
TOTAL LIABILITIES		7,696
NET POSITION		
Restricted for Red River Valley Education Coop		395,124
Restricted for ITV		43,964
TOTAL NET POSITION		439,088
TOTAL LIABILITIES AND NET POSITION	$	446,784

See Notes to the Basic Financial Statements

NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

	Custodial Funds
ADDITIONS	
Local Sources	$ 114,518
State Sources	318,302
TOTAL ADDITIONS	432,820
DEDUCTIONS	
Current:	
Improvement of Instruction	278,901
Director	155,612
TOTAL DEDUCTIONS	434,513
Net Change in Net Position	(1,693)
Net Position - Beginning of Year	440,781
Net Position - End of Year	$ 439,088

See Notes to the Basic Financial Statements

NOTE 1 DESCRIPTION OF THE SCHOOL CENTER AND REPORTING ENTITY

The North Valley Area Career and Technology Center (NVACTC) operates in the City of Grafton, North Dakota.

The Technology Center Board is comprised of member school Center board members and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. Generally accepted accounting principles require that the financial statements of the reporting entity include those of the NVACTC (the primary government) and its component units. A component unit would be included in the NVACTC's reporting entity because of the significance of their operational or financial relationship with the NVACTC. The criteria established by GASB Statement No. 61 in determining financial accountability includes appointing a voting majority of an organization's governing body and (1) the ability of the school Center to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Center.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Center'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 Center's significant accounting policies are described below.

Basis of Presentation

The Center'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 Center as a whole.

The statement of net position presents the financial condition of the governmental activities of the Center at year-end.

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

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

Fund Accounting

The Center's funds consist of the following:

Governmental Funds

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

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

Fiduciary Funds:
The Center's fiduciary funds are custodial funds. The fiduciary funds are custodial in nature. The Center's custodial funds consist of the following:

Red River Valley Education Coop:
The fund accounts for the financial transactions related to the Red River Valley Education Coop.

ITV Fund:
The fund accounts for the financial transactions related to the Center's ITV programs.

Measurement Focus and Basis of Accounting

Measurement Focus

Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred inflows and outflows of resources, and liabilities associated with the operation of the Center 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 in which the governmental activities of the government-wide financial statements are prepared. Due to the difference, the Center's financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds.

Basis of Accounting

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

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

The Center'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 Center considers revenues to be available if they are collected within 60 days of the end of its fiscal year. Expenditures are generally recorded as the related fund liability is incurred.

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

Revenues - Exchange and Non-Exchange Transactions

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

Non-exchange transactions include transactions in which the Center 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 Center.

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

Unearned Revenues

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

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

Expenses and Expenditures

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

Budgets and Budgetary Accounting

The Center’s Board follows the procedures established by North Dakota law for the budgetary process. The governing body of each Center, annually on or before the last day of July must levy taxes. The governing body of the Center may amend its budget for the current fiscal year on or before the tenth day of October of each year.

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

1. The administration prepares the Center'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 at the September board meeting to ensure it is adopted before the tenth of October each year. The budget is then filed with the county auditor by October tenth 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 10 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 Center's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

The General fund expenditures were $3,741,056 less than budgeted at June 30, 2023.

Cash and Cash Equivalents

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

Investments

Investments are recorded at market value. North Dakota State Statute authorizes school Centers 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, d) Obligations of the state.

Fair Value Measurements

The Center 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 Center's fiscal year. The Center has established a capitalization threshold of $3,000. Donated fixed assets are recorded at their acquisition values at the date received. The Center does not have any infrastructure assets. Improvements that significantly extend the useful life of the asset are also capitalized.

The Center's capital assets are depreciated over their estimated useful lives on a straight-line basis. The Center has established the following useful lives:

Building	5 to 15 Years
Equipment	5 to 15 Years
Vehicles	5 to 10 Years

Compensated Absences

Sick leave accrues at a rate of $15 per day up to a maximum of 70 days. Upon retirement, an employee will be paid for any unused sick days.

Accrued Liabilities and Long-term Obligations

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

Pensions

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

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

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net 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.
>
> *Committed* – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the school board-the Center'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 Center'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 Center's preference is to first use restricted resources, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

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 Center 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 Center has two items reported on the statement of net position *as cost sharing defined benefit pension plan* and *cost sharing defined benefit OPEB plan*, which represents the actuarial differences within the NDPERS and TFFR pension plans and NDPERS OPEB plan.

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 Center'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 Center'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.

Significant Group Concentrations of Credit Risk

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

NOTE 3 CASH AND INVESTMENTS

Custodial Credit Risk – Deposits

In accordance with North Dakota laws, the Center 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 Center treasurer or in a financial institution other than that furnishing the collateral.

At June 30, 2023, the carrying amount of the Center's deposits, including investments which consist solely of certificates of deposit, was $1,632,156 and the bank balance was $2,316,119. The Center's investments consist of CD's. The entire deposit and investment balance were covered by Federal Depository Insurance or by collateral held by the Center's Agent in the Center's name in amounts sufficient to meet North Dakota legal requirements.

Credit Risk

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

Custodial Credit Risk - Investments

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

NOTE 4 CAPITAL ASSETS

The following is a summary of changes in the general fixed assets account group during the year:

	Balance 7/1/2022	Additions	Disposals	Balance 6/30/2023
Governmental Activities:				
Capital Assets Being Depreciated				
Buildings	$ 92,078	$ -	$ -	$ 92,078
Equipment	969,861	161,515	-	1,131,376
Vehicles	96,109	122,964	35,000	184,073
Total	1,158,048	284,479	35,000	1,407,527
Less Accumulated Depreciation				
Buildings	82,703	3,214	-	85,917
Equipment	711,807	66,131	-	777,938
Vehicles	28,609	14,806	17,792	25,623
Total	823,119	84,151	17,792	889,478
Net Capital Assets Being Depreciated	334,929	200,328	17,208	518,049
Net Capital Assets for Governmental Activities	$ 334,929	$ 200,328	$ 17,208	$ 518,049

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

Regular Instruction	$ 66,131
Operations & Maintenance	14,806
Transportation	3,214
Total	$ 84,151

NOTE 5 LONG-TERM LIABILITIES

The Center has no outstanding bonds. Long-term liabilities are as follows:

	Balance 7/1/2022	Additions	Retirements	Balance 6/30/2023	Due in One Year
Compensated Absences	$ 7,945	$ -	$ 145	$ 7,800	$ -
Net OPEB Liability	8,383	13,698	2,163	19,918	-
Net Pension Liability	1,280,786	1,123,168	258,757	2,145,197	-
Total	$1,297,114	$1,136,866	$ 261,065	$2,172,915	$ -

Net pension liability, compensated absences and net OPEB liability are generally liquidated through the general fund.

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE

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

Disclosures relating to these plans follow:

North Dakota Teacher's Fund For Retirement

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

Member and employer contributions paid to TFFR are set by NDCC Section 15-39.1-09. Every eligible teacher in the State of North Dakota is required to be a member of TFFR and is assessed at a rate of 11.75% of salary as defined by NDCC Section 15-39.1-04. Every governmental body employing a teacher must also pay into TFFR a sum equal to 12.75% of the teacher's salary. 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 Costs

At June 30, 2023, the Center reported a liability of $1,611,290 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 0.110661 percent, which was an increase of 0.00006279 from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Employer recognized pension expense of $145,160. 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	$ 6,944	$ 43,021
Changes in actuarial assumptions	32,764	-
Difference between projected and actual investment earnings	120,688	-
Changes in proportion	274,360	13,083
Contributions paid to TFFR subsequent to the measurement date	122,480	-
Total	$ 557,236	$ 56,104

$122,480 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	$	78,162
2025		53,413
2026		39,016
2027		151,249
2028		23,648
Thereafter		33,164

Actuarial Assumptions

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

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

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

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

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

The long-term expected rate of return on TFFR investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting 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 July 1, 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%	0.35%
Global Real Assets	18.00%	4.60%
Cash Equivalents	1.00%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.25% percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2022, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the TFFR fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on TFFR investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2022.

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

The following presents the net pension liability of the TFFR employers calculated using the discount rate of 7.25 percent as of June 30, 2022, as well as what the Employers' 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%
Center's proportionate share of the TFFR net pension liability:	$ 2,213,764	$ 1,611,290	$ 1,111,613

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

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

At June 30, 2023, the Center reported a liability of $533,907 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 Center's proportion of the net pension liability was based on the Center'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 Center's proportion was 0.0185 percent which was an increase of 0.00001178 from its proportion measured July 1, 2021.

For the year ended June 30, 2023, the Center recognized pension expense of $74,954. At June 30, 2023, the Center 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	$ 2,785	$ 10,199
Changes in actuarial assumptions	319,284	197,938
Difference between projected and actual investment earnings	19,541	-
Changes in proportion	46,576	24,296
Contributions paid to NDPERS subsequent to the measurement date	17,917	-
Total	$ 406,103	$ 232,433

$17,917 reported as deferred outflows of resources related to pensions resulting from Center 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	$ 41,836
2025	47,949
2026	13,924
2027	52,044

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

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

Discount Rate

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

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

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

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

The following presents the Center'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%
Center's proportionate share of the NDPERS net pension liability:	$ 704,720	$ 533,907	$ 393,675

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 7 DEFINED BENEFIT OPEB PLAN

Defined Benefit OPEB Plan

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

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

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

OPEB Benefits

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

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

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

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

At June 30, 2023, the Center reported a liability of $19,918 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 Center's proportion of the net OPEB liability was based on the Center's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2022, the Center's proportion was 0.016597 percent which was an increase of 0.00001524 from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Center recognized OPEB expense of $3,176. At June 30, 2023, the Center 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	$ 472	$ 171
Changes of assumptions	5,017	-
Net difference between projected and actual earnings on OPEB plan investments	2,682	-
Changes in proportion and differences between employer contributions and proportionate share of contribution	1,986	1,892
Center contributions subsequent to the measurement date	2,187	-
Total	$ 12,344	$ 2,063

$2,187 reported as deferred outflows of resources related to OPEB resulting from Center 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	$	1,949
2025		1,816
2026		1,812
2027		2,517

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	Rates vary by service and tact group
Investment rate of return	5.75%, net of investment expense
Cost-of-living adjustments	none

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2020 scale.

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

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

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

Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the Plans as of June 30, 2022, calculated using the discount rate of 5.39%, 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%
Center's proportionate share of the net OPEB liability	$ 25,424	$ 19,918	$ 15,296

Pension Plan Fiduciary Net Position

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

NOTE 8 RISK MANAGEMENT

The Center 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 Center pays an annual premium to NDIRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses on one million dollars per occurrence.

The Center also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Center 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 Center with blanket fidelity bond coverage in the amount of $2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The Center participates in the North Dakota Worker’s Compensation Bureau and purchases commercial insurance for employee health and accident insurance.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 9 CONTINGENT LIABILITIES

The Center 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 Center 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 Center, 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 10 FINANCIAL OBLIGATIONS

The Center has a purchase agreement for a building and pays for maintenance and custodial services on an annual basis from the Grafton Public School District. During the year ended June 30, 2023, the Center paid payments totaling $83,000 to the School. The rent for the 2023-2024 school year has been set at $35,000. The lease agreement calls for the District to insure the building and for North Valley Career and Technical Center to pay for any structural repairs or improvements. The Center pays all other operating costs including utilities and insurance on contents.

The Center has a purchase agreement for a classroom on an annual basis from the Park River Public School District. During the year ended June 30, 2023, the Center paid payments totaling $3,361 to the School. The rent for the 2023-2024 school year has been set at $3,361.

The Center has a purchase agreement for a classroom on an annual basis from the Minto Public School District. During the year ended June 30, 2023, the Center paid payments totaling $1,595 to the School. The rent for the 2023-2024 school year has been set at $1,595.

The Center has a purchase agreement for a classroom on an annual basis from the Drayton Public School District. During the year ended June 30, 2023, the Center paid payments totaling $1,218 to the School. The rent for the 2023-2024 school year has been set at $1,218.

NOTE 11 NEW PRONOUNCEMENTS

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

- Classification and reporting of derivative instruments within the scope of Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of

the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.

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

The requirements of this statement are effective as follows:

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

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

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

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

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

NOTE 12 SUBSEQUENT EVENTS

No significant events occurred subsequent to the Center's year end. Subsequent events have been evaluated through March 1, 2024, which is the date these financial statements were available to be issued.

NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Original & Final Budget Amount	Actual	Over (Under) Final Budget
REVENUES			
Local Sources	$ 1,183,561	$ 1,327,768	$ 144,207
Revenue from State Sources	1,375,271	1,141,117	(234,154)
Revenue from Federal Sources	5,879,169	2,305,238	(3,573,931)
TOTAL REVENUES	8,438,001	4,774,123	(3,663,878)
EXPENDITURES			
Current:			
Community Services Adult Education	268,051	168,793	(99,258)
Improvement of Instruction	11,674	30,373	18,699
School Board	23,700	32,596	8,896
Director	175,906	145,925	(29,981)
Administrative Assistant	247,602	183,243	(64,359)
Operation & Maintenance of Plant	169,725	150,787	(18,938)
Carl Perkins - Admin	7,320	11,416	4,096
Agriculture	580,311	506,287	(74,024)
Marketing	64,470	63,498	(972)
Health Careers	84,373	86,191	1,818
Consumer & Homemaking	7,919	8,208	289
Modern Business Technology	55,109	54,320	(789)
Auto Technology	119,528	132,070	12,542
Welding	120,161	120,549	388
Construction Trades	77,318	92,451	15,133
W/P Technology Cooperative	15,000	8,434	(6,566)
Vocational Guidance	511,164	538,201	27,037
Vocational Special Needs	-	136	136
Instructional Staff Training	95,175	99,048	3,873
Emerging Technology	67,441	67,636	195
Title IV - 21st Century	919,902	777,315	(142,587)
Student Activities	-	46,320	46,320
After School	84,111	5,752	(78,359)
Title I	20,000	20,000	-
Other Federal Programs	35,498	3,221	(32,277)
Capital Outlay	4,754,290	1,421,922	(3,332,368)
TOTAL EXPENDITURES	8,515,748	4,774,692	(3,741,056)
Excess (Deficiency) of Revenues over Expenditures	(77,747)	(569)	77,178
OTHER FINANCING SOURCES			
Proceeds on Disposal of Capital Assets	-	31,700	31,700
TOTAL OTHER FINANCING SOURCES	-	31,700	31,700
Net Change in Fund Balances	(77,747)	31,131	108,878
Fund Balance - Beginning of Year	894,508	894,508	-
Fund Balance - End of Year	$ 816,761	$ 925,639	$ 108,878

See Notes to the Required Supplementary Information

NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER
SCHEDULE OF CENTER'S CONTRIBUTIONS TO THE TFFR AND NDPERS PENSION PLANS
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

Teachers Fund for Retirement

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Center's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2023	$ 122,480	$ 122,480	$ -	$ 960,627	12.75%
2022	111,028	111,028	-	870,809	12.75%
2021	102,570	102,570	-	804,468	12.75%
2020	90,329	90,329	-	708,466	12.75%
2019	74,626	74,626	-	585,301	12.75%
2018	71,943	71,943	-	564,266	12.75%
2017	74,811	74,811	-	586,754	12.75%
2016	66,522	66,522	-	531,762	12.51%
2015	63,171	63,171	-	587,647	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)	Center's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2023	$ 17,917	$ (17,917)	$ -	$ 243,386	7.36%
2022	15,822	(15,822)	-	215,198	7.35%
2021	14,366	(14,366)	-	196,607	7.31%
2020	11,741	(11,741)	-	163,290	7.19%
2019	14,499	(14,499)	-	203,641	7.12%
2018	14,048	(14,048)	-	197,306	7.12%
2017	13,035	(13,035)	-	186,217	7.00%
2016	11,854	(10,003)	1,851	156,054	6.41%
2015	8,643	(8,643)	-	121,394	7.12%

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

See Notes to the Required Supplementary Information

NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER
SCHEDULE OF CENTER'S CONTRIBUTIONS TO THE NDPERS OPEB PLAN
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

North Dakota Public Employees Retirement System – OPEB

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Center's Covered - Employee Payroll	Contributions as a Percentage of Covered - Employee Payroll
2023	$ 2,187	$ (2,187)	$ -	$ 243,386	0.90%
2022	1,953	(1,953)	-	215,198	0.91%
2021	1,874	(1,874)	-	196,607	0.95%
2020	1,747	(1,747)	-	203,641	0.86%
2019	2,322	(2,322)	-	189,700	1.22%
2018	2,249	(2,249)	-	197,306	1.14%

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

See Notes to the Required Supplementary Information

NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER
SCHEDULE OF CENTER'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

Teachers Fund for Retirement

For the Fiscal Year Ended June 30	Center's Proportion of the Net Pension Liability (Asset)	Center's Proportionate Share of the Net Pension Liability (Asset) (a)	Center'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	0.110661%	$ 1,611,290	$ 870,809	185.03%	67.50%
2022	0.104382%	1,099,822	804,469	136.71%	75.70%
2021	0.097095%	1,486,046	708,466	209.76%	63.40%
2020	0.083432%	1,149,073	585,301	196.32%	65.50%
2019	0.083004%	1,106,320	564,266	196.06%	65.50%
2018	0.086618%	1,189,724	584,649	203.49%	63.20%
2017	0.078961%	1,156,820	513,027	225.49%	59.20%
2016	0.084825%	1,109,388	531,762	208.62%	62.10%
2015	0.101309%	1,061,539	587,647	180.64%	66.60%

North Dakota Public Employees Retirement System

For the Fiscal Year Ended June 30	Center's Proportion of the Net Pension Liability (Asset)	Center's Proportionate Share of the Net Pension Liability (Asset) (a)	Center'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	0.018540%	$ 533,907	$ 196,607	271.56%	54.47%
2022	0.017362%	180,964	196,607	92.04%	78.26%
2021	0.014747%	463,944	162,676	285.20%	48.91%
2020	0.019577%	229,457	203,638	112.68%	71.66%
2019	0.018466%	311,634	189,700	164.28%	63.53%
2018	0.018241%	293,193	186,217	157.45%	61.98%
2017	0.017900%	174,443	180,382	96.71%	70.46%
2016	0.017899%	119,113	156,054	76.33%	77.15%
2015	0.017517%	91,463	121,394	75.34%	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 Center implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for prior years is not available.

See Notes to the Required Supplementary Information

NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER
SCHEDULE OF CENTER'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	Center's proportion of the net OPEB liability (asset)	Center's proportionate share of the net OPEB liability (asset)	Center's covered - employee payroll	Center'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	0.0166%	$ 19,918	$ 243,386	8.18%	56.28%
2022	0.0151%	8,383	196,607	4.26%	76.63%
2021	0.0125%	10,501	142,297	7.38%	63.38%
2020	0.0182%	14,657	203,638	7.20%	63.13%
2019	0.0173%	13,654	189,700	7.20%	61.89%
2018	0.0172%	13,616	186,217	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 Center implemented GASB Statement No. 75 for its fiscal year ended June 30, 2018. Information for prior years is not available.

See Notes to the Required Supplementary Information

NOTE 1 BUDGETARY COMPARISON

Budgets and Budgetary Accounting:

The Center's Board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School Center, annually on or before the last day of July must levy taxes. The governing body of the School Center may amend its budget for the current fiscal year on or before the tenth day of October of each year. During the current year in the General Fund, budgeted expenditures exceeded actual expenditures by $3,741,056.

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

1. The administration prepares the Center'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 before October tenth of each year. The budget is then filed with the county auditor by October tenth 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 10 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 Center's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

NOTE 2 CHANGES OF BENEFIT TERMS

NDPERS

The interest rate earned on member contributions will decrease from 7.00 percent to 6.50 percent effective January 1, 2021 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

OPEB

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

NOTE 3 CHANGES OF ASSUMPTIONS

TFFR

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

- Investment return assumption lowered from 7.75% to 7.25%;
- Inflation assumption lowered from 2.75% to 2.30%;
- Individual salary increases were lowered;
- Rates of turnover, 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

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2020.

OPEB

All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2020.

BradyMartz

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

To the Board of Education
North Valley Area Career and Technology Center
Grafton, 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 Valley Area Career and Technology Center, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated March 1, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

The Center's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Center's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Center'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 them.

Purpose of this Report

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

Brady Martz

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

March 1, 2024

BradyMartz

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 Valley Area Career and Technology Center
Grafton, North Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the North Valley Area Career and Technology Center's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on North Valley Area Career and Technology Center's major federal program for the year ended June 30, 2023. North Valley Area Career and Technology Center'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 Valley Area Career and Technology Center complied, in all material respects, with the types or compliance requirements 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 Valley Area Career and Technology Center 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 Valley Area Career and Technology Center'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 Valley Area Career and Technology Center'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 Valley Area Career and Technology Center'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 Valley Area Career and Technology Center'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 Valley Area Career and Technology Center'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 Valley Area Career and Technology Center'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 Valley Area Career and Technology Center's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

Brady Martz

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

March 1, 2024

NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL ASSISTANCE LISTING NUMBER	PASS THROUGH GRANTOR'S NUMBER	PASS THROUGH TO SUBRECIPIENTS	EXPENDITURES 2023
Department of the Treasury				
Passed Through North Dakota Department of Career & Technical Education:				
COVID-19 Coronavirus Capital Projects	21.029	N/A	$ -	$ 1,421,922
U.S. Department of Education				
Passed Through North Dakota Department of Public Instruction:				
21st Century Learning Center Program	84.287	F84287	515,434	655,752
Title I Grants to Local Educational Agencies	84.010	F84.010	-	20,000
COVID-19 Education Stabilization Fund	84.425	F84425U	-	78,773
			515,434	754,525
Passed Through North Dakota Department of Career & Technical Education:				
Vocational Education - Carl Perkins Grant	84.048	F84048	-	128,791
TOTAL FEDERAL FINANCIAL ASSISTANCE			$ 515,434	$ 2,305,238

See Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 - INDIRECT COST RATE

North Valley Area Career and Technology Center has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 - BASIS OF PRESENTATION

The Schedule includes the federal award activity of North Valley Area Career and Technology Center under programs of the federal government for the year ended June 30, 2022. 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 Valley Area Career and Technology Center, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE 4 - PASS-THROUGH ENTITIES

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

NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	___ yes _x_ no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_x_ yes ___ none reported
Non-compliance material to financial statements noted?	___ yes _x_ no

Federal Awards

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

Identification of major programs:

AL Number(s)	Name of Federal Program or Cluster
21.029	Coronavirus Capital Projects Fund

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

SECTION II – FINANCIAL STATEMENT FINDINGS

2023-001

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

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

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

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

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

Repeat Finding
This is a repeat finding of 2022-001.

Management's Response
Management agrees with the comment and will implement when it becomes cost-effective. The Center will also continue to review and approve the draft financial statements.

2023-002

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 keeping and reconciliation.

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

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

Recommendation
We recommend the organization 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.

Repeat Finding
See finding 2022-002.

Management's Response
The Director reviews and signs off on all the bank reconciliations.

SECTION III – FEDERAL AWARD FINDING AND QUESTIONED COSTS

There are no findings to be reported under this section.

2022-001

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

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

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

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

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

Management's Response
Management agrees with the comment and will implement when it becomes cost-effective. The Center will also continue to review and approve the draft financial statements.

Corrective Action Taken
See current year finding 2023-001

2022-002

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 keeping and reconciliation.

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

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

Recommendation
We recommend the organization 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.

Views of Responsible Officials and Planned Corrective Actions
The Center agrees with the recommendation and will review on an annual basis.

Corrective Action Taken
See current year finding 2023-002

North Valley
Career and Technology Center

Michael S. Hanson, Director
Michael.hanson@k12.nd.us

1540 School Road
Grafton, ND 58237-1715

Phone: (701) 352-3705
Fax: (701) 352-3170
Website: www.northvalley.k12.nd.us

CORRECTIVE ACTION PLAN
AS OF JUNE 30, 2023

2023-001

Contact Person
Lisa Tucker

Planned Corrective Action
The Center will implement when it becomes cost-effective.

Planned Completion Date
The planned completion date for the CAP is when it becomes cost-effective.

2023-002

Contact Person
Lisa Tucker

Planned Corrective Action
The Center will implement when it becomes cost-effective.

Planned Completion Date
The planned completion date for the CAP is when it becomes cost-effective.