SOURIS VALLEY SPECIAL SERVICES
MINOT, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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BradyMartz

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Souris Valley Special Services
Minot, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Souris Valley Special Services, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Souris Valley Special Services' 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 and the major fund of Souris Valley Special Services, 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 Souris Valley Special Services and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Souris Valley Special Services' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule - general fund, schedules of employer contributions - pension, schedules of employer's proportionate share of net pension liability, schedule of employer contributions - OPEB, schedule of employer's proportionate share of net OPEB liability, and notes to required supplementary information, as listed on the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 20, 2023, on our consideration of Souris Valley Special Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Souris Valley Special Services’ 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 Souris Valley Special Services' internal control over financial reporting and compliance.

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

October 20, 2023

SOURIS VALLEY SPECIAL SERVICES
STATEMENT OF NET POSITION
JUNE 30, 2023

ASSETS		
Current assets:		
Cash and cash equivalents	$	619,982
Investments		116,897
Prepaid expenses		40,485
Due from other governments		560,664
Total current assets		1,338,028
Non-current assets:		
Lease assets		305,148
Less: accumulated amortization		(69,748)
Capital assets		100,857
Less: accumulated depreciation		(95,009)
Total non-current assets		241,248
Total assets		1,579,276
DEFERRED OUTFLOWS OF RESOURCES		
Cost sharing defined benefit plan - pension		1,527,662
Cost sharing defined benefit plan - OPEB		35,381
Total deferred outflows of resources		1,563,043
LIABILITIES		
Current liabilities:		
Accounts payable		7,764
Lease payable		33,230
Contracts payable		228,639
Accrued payroll taxes and benefits		116,293
Total current liabilities		385,926
Long-term liabilities:		
Accrued interest		94
Lease payable		206,645
Net pension liability		3,564,591
Net OPEB liability		55,140
Total long-term liabilities		3,826,470
Total liabilities		4,212,396
DEFERRED INFLOWS OF RESOURCES		
Cost sharing defined benefit plan - pension		993,341
Cost sharing defined benefit plan - OPEB		1,921
Total deferred inflows of resources		995,262
NET POSITION		
Net investment in capital and lease assets		1,279
Unrestricted		(2,066,618)
Total net (deficit) position	$	(2,065,339)

SEE NOTES TO THE FINANCIAL STATEMENTS

SOURIS VALLEY SPECIAL SERVICES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

		Program Revenue		Net (Expense) Revenues and Changes in Net Position
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Governmental Activities**
Governmental Activities				
Instruction:				
Special education	$ 718,888	$ 556,009	$ 280,943	$ 118,064
Support Services:				
Pupil services	1,635,754	18,825	1,494,556	(122,373)
Instructional staff services	26,778	-	26,778	-
Administration services	319,629	107,094	246,028	33,493
Business services	176,112	-	160,680	(15,432)
Operations and maintenance	6,637	-	40,501	33,864
Interest on long-term debt	36,072	-	-	(36,072)
Total support services	2,200,982	125,919	1,968,543	(106,520)
Total governmental activities	$ 2,919,870	$ 681,928	$ 2,249,486	11,544
	General revenues:			
	State aid not restricted for specific purpose			18,728
	Miscellaneous			20,281
	Total general revenues			39,009
	Change in net position			50,553
	Total net deficit, beginning of year			(2,115,892)
	Net (deficit) position - end of year			$ (2,065,339)

SEE NOTES TO THE FINANCIAL STATEMENTS

SOURIS VALLEY SPECIAL SERVICES
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

		General Fund
ASSETS		
Cash and cash equivalents	$	619,982
Investments		116,897
Prepaid expenses		40,485
Due from other governments		560,664
Total assets	$	1,338,028
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	$	7,764
Contracts payable		228,639
Accrued payroll taxes and benefits		116,293
Total liabilities		352,696
Fund balance:		
Nonspendable		40,485
Unassigned		944,847
Total fund balance		985,332
Total liabilities and fund balance	$	1,338,028

SEE NOTES TO THE FINANCIAL STATEMENTS

SOURIS VALLEY SPECIAL SERVICES
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2023

Total fund balance - governmental funds	$ 985,332
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not current financial resources and are not reported in the governmental funds.	
Capital assets, net of depreciation	5,848
Lease assets, net amortization	235,400
Deferred outflows relating to the cost sharing defined benefit plans for pension in the governmental activities are not financial resources and therefore not reported in the governmental funds	1,527,662
Deferred outflows relating to the cost sharing defined benefit plans for OPEB in the governmental activities are not financial resources and therefore not reported in the governmental funds	35,381
Long-term liabilities applicable to SVSS' governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities both current and long-term are reported in the statement of net position.	
Balances at June 30, 2023 are:	
Accrued interest	(94)
Lease liability	(239,875)
Net pension liability	(3,564,591)
Net OPEB liability	(55,140)
Deferred inflows relating to the cost sharing defined benefit plans for pension in the governmental activities are not financial resources and therefore not reported in the governmental funds	(993,341)
Deferred inflows relating to the cost sharing defined benefit plans for OPEB in the governmental activities are not financial resources and therefore not reported in the governmental funds	(1,921)
Net (deficit) position of governmental activities	$ (2,065,339)

SOURIS VALLEY SPECIAL SERVICES
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund
REVENUES	
Local sources	$ 585,803
State sources	18,728
Federal sources	2,249,486
Other sources	116,405
Total revenues	2,970,422
EXPENDITURES	
Instruction:	
Special education	768,378
Support services:	
Pupil services	1,643,668
Instructional staff services	26,778
Administration services	308,501
Business services	160,680
Operations and maintenance	6,637
Debt Service:	
Principal retirement	32,654
Interest on long-term debt	1,210
Total support services	2,180,128
Total expenditures	2,948,506
Excess of expenditures over revenues	21,916
Fund balance - beginning of year	963,416
Fund balance - end of year	$ 985,332

SEE NOTES TO THE FINANCIAL STATEMENTS

SOURIS VALLEY SPECIAL SERVICES
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO
THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Net change in fund balances - total governmental funds		$ 21,916
The change in net position reported for governmental activities in the statement of activities is difference because:		
Governmental funds report outlays as expenditures. However, in the statement of activities, the cost of those assets with a cost greater than $5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation for the current year:		
Depreciation expense	(12,977)	
Amortization expense	(34,874)	
		(47,851)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.		
Net change in accrued interest	13	
Net change in lease liability	32,654	
Net decrease in net pension liability	(1,431,324)	
Net decrease in net OPEB liability	(33,244)	
		(1,431,901)
Changes in deferred outflows and inflows relating to net pension liability		1,481,237
Changes in deferred outflows and inflows relating to net OPEB liability		27,152
Change in net (deficit) position of governmental activities		$ 50,553

SEE NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principal Activity

Souris Valley Special Services (SVSS) was created to provide special education to students of its member school districts, with some services also being provided on a contract basis to non-member districts. The North Dakota State Legislature enacted laws which provide that "handicapped children" must receive an education comparable with all children. In order to provide the best possible program, these districts banded together in a common group. Board members are appointed by the member districts to administer the combined program. The Board contracts administrative staff to operate the program. SVSS accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP).

Reporting Entity

The accompanying financial statements present the activities of SVSS. SVSS has considered all potential component units for which SVSS is financially accountable and other organizations for which the nature and significance of their relationships with SVSS such that exclusion would cause SVSS' financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing board and (1) the ability of SVSS 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 SVSS.

Based on these criteria, there are no component units to be included within SVSS as a reporting entity.

Accounting Standards

SVSS follows the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard-setting body for establishing generally accepted accounting principles for governmental entities.

Basis of Presentation

SVSS' basic financial statements consist of government-wide and fund financial statements.

<u>Government-wide Financial Statements</u>

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements display information about SVSS as a whole, and include the financial activities of the reporting entity, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of SVSS at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of SVSS' governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, operating grants and contributions, and capital grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of SVSS.

The comparison of direct-expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of SVSS.

Fund Financial Statements

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

Fund Accounting

SVSS' funds consist of the following:

Governmental Funds

Governmental funds are utilized to account for most of SVSS' 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. SVSS' major governmental fund is as follows:

General fund - The general fund is the general operating fund of SVSS and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Measurement Focus and Basis of Accounting

Measurement Focus

Measurement focus is a term used to describe which transactions are recorded within the various financial statements.

Government-wide Financial Statements

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

Fund Financial Statements

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

SVSS' 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. SVSS 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.

Revenues-Exchange and Non-Exchange Transactions

Exchange transactions are transactions in which each party gives and receives essentially equal value. Under the modified 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 SVSS receives value without directly providing value in return. Non-exchange transactions include grants, entitlement, and donations.

Under the accrual basis of accounting, 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 SVSS.

Major revenue sources susceptible to accrual include intergovernmental revenues.

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 Board of SVSS follows the procedures established by North Dakota law for the budgetary process. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year. Formal budgetary integration is employed as a management control device during the year for the general fund.

Budgets for the general fund are prepared on the modified accrual basis of accounting, which is the same basis used for financial reporting purposes.

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

Investments

Investments are recorded at cost. North Dakota state statute authorizes SVSS to invest its 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 above 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.

Leases

The determination of whether an arrangement contains a lease is made at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the District has control of the right to use asset. Control includes the right to obtain present service capacity and the right to determine the nature and manner of use of the underlying asset, as specified in the contract.

Leases with an initial lease term of more than 12 months, or that contain an option to purchase that the District is reasonably certain to exercise, are recognized based on the present value of lease payments over the lease term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the District uses its incremental borrowing rate based on the information available at the lease commencement date. The District has made an accounting policy election to use a risk free rate based on US Treasury Tbill rate as of the lease commencement. The District accounts for lease agreements with lease and non-lease components together as a single lease component for all underlying classes of assets.

The District continues to record rent expense for short term leases on a straight-line basis over the lease term. Short term leases have a term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the District are reasonably certain to exercise.

The depreciable life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

The District's lease agreements do not include any material residual value guarantees or restrictive covenants.

Capital Assets

Capital assets include vehicles and equipment. 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. Capital assets are defined by SVSS as assets with an initial, individual cost of $5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Improvements that significantly extend the useful life of the asset are also capitalized.

Capital assets are depreciated using the straight-line method of the following estimated useful lives:

Vehicles	5 years
Equipment	10 years

Accrued Liabilities and Long-term Obligations

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

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources in SVSS' financial statements. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, lease assets, net of accumulated amortization, 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 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.

Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial 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. Souris Valley Special Services has two items reported on the statement of net position as a cost sharing defined benefit plan, one which represents actuarial differences within the NDPERS and TFFR pension plans, and another that represents the actuarial differences within the NDPERS OPEB liability.

In addition to liabilities, the statement of financial 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. Souris Valley Special Services has two items reported on the statement of net position as a cost sharing defined benefit plan, one which represents the actuarial differences within the NDPERS and TFFR pension plans as well as amounts paid to the plans after the measurement date, and another which represents the actuarial differences within the NDPERS OPEB liability as well as amounts paid to the plan subsequent to the measurement date. See Notes 9, 10, and 11 for more details.

Fund Balance Classifications

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

Nonspendable – consists of amounts that are not in a spendable form, such as inventory and prepaid items, or legally or contractually required to be maintained intact.

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

Committed – consists of internally imposed constraints. These constraints are established by Resolution of the Board of Directors.

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

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

SVSS considers the spendable fund balances to have been spent when expenditures are incurred.

When both restricted and unrestricted resources are available for use it is SVSS' policy to use restricted resources first, then unrestricted resources as needed in the following order: 1) committed, 2) assigned, and 3) unassigned.

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 Employee Retirement System (NDPERS) and Teachers' Fund for Retirement (TFFR) and additions to/deductions from NDPERS and TFFR's fiduciary net position have been determined on the same basis as they are reported by NDPERS and TFFR. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 expenses, information about the fiduciary net position of the North Dakota Public Employee Retirement System (NDPERS) and additions to and deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 CASH AND CASH EQUIVALENTS

Custodial Credit Risk

This is the risk that, in the event of the failure of the counterparty, SVSS will not be able to recover the value of its deposits, investments, or collateral securities that are in the possession of an outside party.

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

At June 30, 2023, the carrying amount of the SVSS's deposits was $736,879 and the bank balance was $1,559,669. The bank balances were fully collateralized as of June 30, 2023.

Interest Rate Risk

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

NOTE 3 INVESTMENTS

Investments consist of certificates of deposit held at financial institutions. SVSS elects to exclude investments with maturity of one year or less from date of purchase from fair value reporting. These investments are reported at cost. As of June 30, 2023, SVSS had the following investments:

Description	Reported Amount	Maturity	Interest Rate
Certificate of deposit	$ 116,897	1/28/2024	4.25%

NOTE 4 DUE FROM OTHER GOVERNMENTS

SVSS had the following amounts due from other governments included in accounts receivable at June 30, 2023:

From	For	Amount
ND Department of Public Instruction	Pass-through grant	$ 453,500
ND Department of Public Instruction	Tuition	107,164
Total Due From Other Governments		$ 560,664

NOTE 5 CAPITAL ASSETS

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

	Balance Beginning of Year	Additions	Deletions	Balance End of the Year
Governmental Activities				
Equipment and Vehicles	$ 100,857	$ -	$ -	$ 100,857
Less Accumulated Depreciation				
Equipment and Vehicles	82,032	12,977	-	95,009
Net Capital Assets for Governmental Activities	$ 18,825	$ (12,977)	$ -	$ 5,848

Depreciation expense of $12,977 was charged to Administration Services in the statement of activities for the year ended June 30, 2023.

NOTE 6 LEASES

SVSS leases their building in Minot, North Dakota. The term of the lease is for a period of 36 months, commencing on April 1, 2021 and terminating on March 31, 2024 with an annual rent payment of $33,864. The School has the option to renew the lease under the same terms and conditions for a period of 24 months, with annual rent increasing to $35,553 on April 1, 2024 and $37,246 on April 1, 2027 and reasonably expects to exercise these renewal options.

The following is the total lease expense for the year ended June 30, 2023:

Amortization expense by class of underlying asset	
Right-to-use Building	$ 34,874
Total amortization expense	34,874
Interest on lease liabilities	1,198
Total	$ 36,072

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

Lease Assets	Beginning of Year	Additions	Subtractions	End of Year	Amounts Due Within One Year
Right-to-use Building	$ 305,148	$ -	$ -	$ 305,148	
Less: Accumulated Amortization					
Right-to-use Building	(34,874)	(34,874)	-	(69,748)	
Total Lease Assets, net	$ 270,274	$ (34,874)	$ -	$ 235,400	
Lease Liabilities	$ 272,529	$ -	$ (32,654)	$ 239,875	$ 33,230

Future minimum rental payments required under the lease are scheduled as follows:

Year Ending June 30,	Principal	Interest	Total Payments
2024	$ 33,230	$ 1,057	$ 34,287
2025	34,659	897	35,556
2026	34,823	733	35,556
2027	35,410	569	35,979
2028	36,849	399	37,248
2029 - 2033	64,904	280	65,184
Total	$ 239,875	$ 3,935	$ 243,810

NOTE 7 ECONOMIC DEPENDENCY

SVSS receives a substantial amount of its support from federal and local governments. A significant reduction in the level of this support, if this were to occur, may have a material effect on SVSS' programs and therefore on its continued operations.

NOTE 8 RISK MANAGEMENT

SVSS 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 other political subdivisions 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. SVSS pays an annual premium to NDIRF for its general, personal injury, and auto insurance. The coverage by NDIRF is limited to losses of $2,000,000 per occurrence.

SVSS also participates in the State Bonding Fund which currently provides blanket fidelity bond coverage in the amount of $919,538 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

SVSS continues to carry commercial insurance for all other risks of loss, including workers' compensation, employee health and accident insurance.

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

NOTE 9 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 Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, Souris Valley Special Services reported a liability of $2,213,466 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 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 June 30, 2022, the Employer's proportion was 0.15201821 percent, which was a decrease of 0.01048579 percent from its proportion measured as of June 30, 2021. For the year ended June 30, 2023, the Employer recognized pension expense of $(35,800).

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 experience	$	9,539	$	(59,098)
Changes of assumptions		45,009		-
Net difference between projected and actual earnings on pension plan investments		165,792		-
Changes in proportion and differences between employer contributions and proportionate share of contributions		110,880		(402,768)
Employer contributions subsequent to the measurement date		144,362		-
Total	$	475,582	$	(461,866)

$144,362 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:

Year ended June 30:		
2024	$	(106,646)
2025		15,177
2026		(47,636)
2027		93,377
2028		(32,722)
Thereafter		(52,196)

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 June 30, 2022, are summarized in the following table:

	Target Allocation	**Long-Term Expected Real Rate of Return**
Global Equities	55%	6.61%
Global Fixed Income	26%	0.35%
Global Real Assets	18%	4.60%
Cash Equivalents	1%	-1.05%

Discount Rate

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

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

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Employer's proportionate share of the net pension liability	$ 3,041,099	$ 2,213,466	$ 1,527,048

Pension Plan Fiduciary Net Position

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

NOTE 10 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 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service. 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 for disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

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

At June 30, 2023, the Employer reported a liability of $1,351,126 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 Employer's proportion of the net pension liability was based on the Employer'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 Employer's proportion was 0.046913 percent, which was an increase of 0.006518 from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Employer recognized pension expense of $165,632. 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 experience	$ 7,048	$ (25,809)
Changes of assumptions	807,993	(500,911)
Net difference between projected and actual earnings on pension plan investments	49,451	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	151,777	(4,758)
Employer contributions subsequent to the measurement date	35,808	-
Total	$ 1,052,077	$ (531,478)

$35,808 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 ended June 30:	
2024	$ 149,012
2025	159,366
2026	36,956
2027	139,457

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	3.50% 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%	5.75%
International Equity	21%	6.45%
Private Equity	7%	9.20%
Domestic Fixed Income	23%	0.34%
Global Real Assets	19%	4.35%

Discount Rate

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

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

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

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 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 4.10%	Current Discount Rate 5.10%	1% Increase 6.10%
Employer's proportionate share of the net pension liability	$ 1,783,393	$ 1,351,126	$ 996,249

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report. Requests to obtain or review this report should be addressed to the Executive Director – NDPERS, P.O. Box 1657, Bismarck, North Dakota 58502-1657.

NOTE 11 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, vison 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 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 Employer reported a liability of $55,140 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2022, the Employer's proportion was 0.045938 percent which was an increase of 0.006569 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Employer recognized OPEB expense of $11,061. At June 30, 2023, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,307	$ (474)
Changes of assumptions	13,889	-
Net difference between projected and actual earnings on OPEB plan investments	7,424	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,769	(1,447)
Employer contributions subsequent to the measurement date	4,992	-
Total	$ 35,381	$ (1,921)

$4,992 reported as deferred outflows of resources related to OPEB resulting from Employer 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 ended June 30:	
2024	$ 7,664
2025	7,105
2026	6,539
2027	7,160

Actuarial Assumptions

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

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

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Broad US Equity	39.00%	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 4.39%	Current Discount Rate 5.39%	1% Increase 6.39%
Employer's proportionate share of the net OPEB liability	$ 70,383	$ 55,140	$ 42,344

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued NDPERS financial report. Requests to obtain or review this report should be addressed to the Executive Director – NDPERS, P.O. Box 1657, Bismarck, North Dakota, 58502-1657.

NOTE 12 CONTINGENCIES

SVSS received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with items and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. SVSS' management believes it has complied in all material respects with all applicable grant provisions. In the opinion of management, any possible disallowed claims would not have a material adverse effect on the overall financial position of SVSS as of June 30, 2023.

NOTE 13 NEW ACCOUNTING PRONOUNCEMENTS

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

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.

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

The requirements of this statement are effective as follows:

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

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

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

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

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

NOTE 14 SUBSEQUENT EVENTS

No significant events occurred subsequent to SVSS' year end. Subsequent events have been evaluated through October 20, 2023, which is the date these financial statements were available to be issued.

SOURIS VALLEY SPECIAL SERVICES
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts - Original & Final	Actual Amounts	Variance with Budget
REVENUES			
Local sources	$ 580,673	$ 585,803	$ 5,130
State sources	34,000	18,728	(15,272)
Federal sources	2,393,397	2,249,486	(143,911)
Other sources	102,600	116,405	13,805
Total revenues	3,110,670	2,970,422	(140,248)
EXPENDITURES			
Instruction:			
Special education	761,907	768,378	(6,471)
Support services			
Pupil services	1,738,842	1,643,668	95,174
Instructional staff services	80,471	26,778	53,693
Administration services	324,671	308,501	16,170
Business services	163,350	160,680	2,670
Operations and maintenance	7,500	6,637	863
Debt Service:			
Principal retirement	33,864	33,864	-
Total support services	2,348,698	2,180,128	168,570
Total Expenditures	3,110,605	2,948,506	162,099
Excess of revenues over expenditures	65	21,916	21,851
Fund balances - beginning of year	963,416	963,416	-
Fund balances - end of year	$ 963,481	$ 985,332	$ 21,851

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SOURIS VALLEY SPECIAL SERVICES
SCHEDULES OF EMPLOYER CONTRIBUTIONS – PENSION
LAST TEN FISCAL YEARS*

NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percentage of covered-employee payroll
2023	$ 144,362	$ (144,362)	$ -	$ 1,132,251	12.75%
2022	152,522	(152,522)	-	1,196,250	12.75%
2021	159,683	(159,683)	-	1,252,416	12.75%
2020	158,934	(158,934)	-	1,246,541	12.75%
2019	158,719	(158,719)	-	1,244,855	12.75%
2018	147,136	(147,136)	-	1,154,005	12.75%
2017	129,886	(129,886)	-	1,018,717	12.75%
2016	190,325	(190,325)	-	1,492,745	12.75%
2015	196,461	(196,461)	-	1,540,949	12.75%

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT PLAN

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2023	$ 35,808	$ (35,808)	$ -	$ 493,942	7.25%
2022	35,011	(35,011)	-	489,113	7.16%
2021	31,249	(31,249)	-	438,892	7.12%
2020	28,987	(28,987)	-	407,121	7.12%
2019	24,447	(24,447)	-	343,349	7.12%
2018	22,749	(22,749)	-	319,501	7.12%
2017	33,331	(33,331)	-	468,131	7.12%
2016	85,810	(85,810)	-	1,205,197	7.12%
2015	86,178	(86,178)	-	1,210,366	7.12%

* Complete data for these schedules is not available prior to 2015.

SOURIS VALLEY SPECIAL SERVICES
SCHEDULES OF EMPLOYER'S PROPORTIONATE
SHARE OF NET PENSION LIABILITY
LAST TEN FISCAL YEARS*

NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered payroll	Employer's 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	0.152018%	$ 2,213,466	$ 1,196,250	185.00%	67.50%
2022	0.162504%	1,712,232	1,252,416	136.71%	75.70%
2021	0.170838%	2,614,681	1,246,538	209.76%	63.40%
2020	0.177449%	2,443,924	1,244,857	196.32%	65.50%
2019	0.169754%	2,262,583	1,154,005	196.06%	65.50%
2018	0.150928%	2,073,028	1,018,717	203.49%	63.20%
2017	0.229750%	3,365,978	1,492,745	225.49%	59.20%
2016	0.250518%	3,276,413	1,540,949	212.62%	62.10%
2015	0.254310%	2,645,029	1,460,235	181.14%	66.60%

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT PLAN

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered-employee payroll	Employer's 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	0.04691%	$ 1,351,126	$ 489,113	276.24%	54.47%
2022	0.04040%	421,037	438,892	95.93%	78.26%
2021	0.03789%	1,191,933	437,554	272.41%	48.91%
2020	0.03896%	397,286	343,349	115.71%	71.66%
2019	0.02743%	462,946	319,501	144.90%	63.53%
2018	0.03422%	549,980	468,131	117.48%	61.98%
2017	0.11670%	1,137,336	1,205,197	94.37%	70.46%
2016	0.13346%	907,519	1,210,366	74.98%	77.15%
2015	0.13011%	825,817	1,095,995	75.35%	77.70%

* Complete data for these schedules is not available prior to 2015.

SOURIS VALLEY SPECIAL SERVICES
SCHEDULE OF EMPLOYER CONTRIBUTIONS – OPEB
LAST TEN FISCAL YEARS*

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2023	$ 4,992	$ (4,992)	$ -	$ 437,885	1.14%
2022	5,389	(5,389)	-	472,798	1.14%
2021	4,893	(4,893)	-	429,189	1.14%
2020	4,641	(4,641)	-	407,105	1.14%
2019	3,914	(3,914)	-	343,333	1.14%
2018	3,642	(3,642)	-	319,501	1.14%

* Complete data for this schedule is not available prior to 2018.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SOURIS VALLEY SPECIAL SERVICES
SCHEDULE OF EMPLOYER'S PROPORTIONATE
SHARE OF NET OPEB LIABILITY
LAST TEN FISCAL YEARS*

	Employer's proportion of the net OPEB liability (asset)	Employer's proportionate share of the net OPEB liability (asset)	Employer's covered-employee payroll	Employer'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	0.045938%	$ 55,140	$ 472,798	11.66%	56.28%
2022	0.039369%	21,896	429,189	5.10%	76.63%
2021	0.036662%	30,840	417,940	7.38%	63.38%
2020	0.031597%	25,378	352,579	7.20%	63.13%
2019	0.025754%	20,283	281,809	7.20%	61.89%
2018	0.032287%	25,539	349,298	7.31%	59.78%

* Complete data for this schedule is not available prior to 2018.

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

Budgets are prepared for Souris Valley Special Services' funds on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets present in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. All appropriations lapse at year end. Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting is not utilized in the governmental funds of the entity.

The budget is adopted through the passage of a resolution. Administration can authorize the transfer of budgeted amounts within any fund. Any revisions that alter the total expenditures of any fund must be approved by the governing board. The legal level of budgetary control is the fund level. The annual appropriated budget is not legally binding on the entity.

NOTE 2 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
- The disabled mortality was updated to the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019
- The pre-retirement mortality table was updated to the PubT-2010 Employee table projected with generational improvement using Scale MP-2019

Amounts reported in 2016-2020 reflect the following actuarial assumption changes based on the results of an actuarial 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 Pension Plan

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

NDPERS OPEB

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

NOTE 3 CHANGES OF BENEFIT TERMS

NDPERS Pension Plan

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

NDPERS 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.

SOURIS VALLEY SPECIAL SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-Through Grantor Number		Federal Expenditures($)
U.S. Department of Education:				
Passed through the ND Department of Public Instruction:				
Special Education - Grants to States	84.027	0606	$	2,163,493
Special Education - Preschool Grants	84.173	0600		65,993
Total Special Education Cluster				2,229,486
Grants for State Assessments and Related Activities	84.369	0600		20,000
Total award listing 84.369				20,000
TOTAL FEDERAL FINANCIAL ASSISTANCE			$	2,249,486

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards (the "Schedule") are reported on the accrual basis of accounting. Such expenditures are recognized following the applicable cost principles contained in Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or limited as to reimbursement.

NOTE 2 INDIRECT COST RATE

Souris Valley Special Services does not draw for indirect administrative costs and has not elected to use the 10% de minimis cost rate.

NOTE 3 BASIS OF PRESENTATION

The Schedule includes the federal award activity of Souris Valley Special Services under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Souris Valley Special Services, it is not intended to and does not present the financial position, changes in net position, or cash flows of Souris Valley Special Services.

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 Directors
Souris Valley Special Services
Minot, 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 and the major fund of Souris Valley Special Services as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Souris Valley Special Services' basic financial statements, and have issued our report thereon dated October 20, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Souris Valley Special Services' 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 Souris Valley Special Services' internal control. Accordingly, we do not express an opinion on the effectiveness of Souris Valley Special Services' 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 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weaknesses as item 2023-001.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Souris Valley Special Services' 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.*

Souris Valley Special Services' Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Souris Valley Special Services' responses to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Souris Valley Special Services' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

October 20, 2023

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 Directors
Souris Valley Special Services
Minot, North Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Souris Valley Special Services' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement,* that could have a direct and material effect on each of Souris Valley Special Services' major federal programs for the year ended June 30, 2023. Souris Valley Special Services' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Souris Valley Special Services complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major 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 Souris Valley Special Services 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 Souris Valley Special Services' 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 Souris Valley Special Services' 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 Souris Valley Special Services' 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 Souris Valley Special Services' 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 Souris Valley Special Services' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Souris Valley Special Services' 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 Souris Valley Special Services' internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal* *control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-002 to be a significant deficiency.

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

Government Auditing Standards requires the auditor to perform limited procedures on Souris Valley Special Services' response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Souris Valley Special Services' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

October 20, 2023

SOURIS VALLEY SPECIAL SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?	x	yes		no
Significant deficiency(ies) identified?		yes	x	none reported
Noncompliance 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?	x	yes		none reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are Required to be reported in accordance with 2 CFR 200.516(a)?		yes	x	no

AL Number(s)	Name of Federal Program or Cluster
84.027 & 84.173	Special Education Cluster

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

SECTION II - FINANCIAL STATEMENT FINDINGS

2023-001:Adjusting Journal Entries and Financial Statements– Material Weakness

Criteria
A good system of internal accounting control contemplates an adequate system for the preparation of the financial statements, including recording government wide journal entries in order to reconcile from the fund financials to the government wide financials and ensuring all general ledger accounts are properly reflected on a GAAP basis.

Condition
Souris Valley Special Services does not have an internal control system designed to provide for the preparation of the financial statements being audited, in addition, as auditors, we prepared several journal entries in order to present the financial statements in accordance with generally accepted accounting principles.

Cause
This control deficiency could result in a misstatement to the presentation of the footnotes in the audit ready financial statements.

Effect
Inadequate controls over financial reporting of SVSS results in more than a remote likelihood that SVSS would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

Recommendation
The circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials and Planned Corrective Actions
Souris Valley Special Services has decided to accept the degree of risk associated with SVSS not preparing its own financial statements due to the time and expense necessary to have staff prepare the statements prior to the annual audit.

Indication of Repeat Finding
This is a repeat of finding 2022-001 and 2022-002 from the prior year.

SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2023-002:Maintenance of Effort – Significant Deficiency

Criteria
IDEA, Part B funds received by an LEA cannot be used, except under certain limited circumstances, to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds, or a combination of state and local funds, below the level of expenditures for the preceding year.

Condition
Amounts submitted to the local SEA agency responsible for maintenance of effort monitoring could not be matched to the accounting records.

Cause
The Unit did not maintain appropriate records.

Effect
Inadequate controls over compliance could result in incorrect amounts being reported to the local SEA agency.

Recommendation
Accounting records and tables submitted to the local agency be retained for reference.

Views of Responsible Officials and Planned Corrective Actions
Each year we email the business managers of each school district to obtain their expense report for the previous year and the budget for the current year. The emails are saved and then amounts are calculated for the MOE Eligibility and MOE Compliance. During this audited year, the SVSS business manager resigned, and the previous business manager came back until the position was filled. The new business manager was then hired. The director worked with the business managers to collect the information and although amounts were collected and properly calculated – the necessary documentation was not readily found a year later.

Indication of Repeat Finding
This is a new finding in the current year.

2022-001: Preparation of the Financial Statements- Material Weakness

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

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

Cause
SVSS elected to not allocate resources for the preparation of the financial statements. SVSS' internal controls have not been designed to address the specific training needs required of its personnel to identify the adjustments necessary to properly reflect the financial statements in accordance with U.S. GAAP.

Effect
There is an increased risk of material misstatement to SVSS' financial statements.

Recommendation
We recommend SVSS 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 organization should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Views of Responsible Officials and Planned Corrective Actions
Souris Valley Special Services has decided to accept the degree of risk associated with SVSS not preparing its own financial statements due to the time and expense necessary to have staff prepare the statements prior to the annual audit.

Indication of Repeat Finding
This is a repeat of finding 2021-001 from the prior year.

2022-002: Proposition of Journal Entries - Material Weakness

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

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

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

Effect
SVSS' financial statements were materially misstated prior to adjustments detected as a result of audit procedures.

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

Views of Responsible Officials and Planned Corrective Actions
Souris Valley Special Services has decided to accept the degree of risk associated with SVSS not preparing its own financial statements due to the time and expense necessary to have staff prepare the statements prior to the annual audit.

Indication of Repeat Finding
This is a repeat of finding 2021-001 from the prior year.

2023-001

Contact Person
Kelsie Harris, Business Manager

Corrective Action Plan
Souris Valley Special Services has decided to accept the degree of risk associated with SVSS not preparing its own financial statements due to the time and expense necessary to have staff prepare the statements prior to the annual audit.

Completion Date
Souris Valley Special Services will implement when it becomes cost effective.

2023-002

Contact Person
Kelsie Harris, Business Manager

Corrective Action Plan
The issue has been corrected by developing a process to save all MOE documentation in one central location (not email accounts) by both the business manager and director so that the information can be readily collected when requested.

Completion Date
Souris Valley Special Services will implement when it becomes cost effective.