

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

AUDITED FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

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BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

OFFICIAL DIRECTORY
June 30, 2023

Mike Schwehr	President
Lee Guscette	Vice-President
Michele Elston	Board Member
Eric Broten	Board Member
Cindy Christianson	Board Member
Rob Harstad	Board Member
Bret Fehr	Board Member
Kody Amann	Board Member
Jennifer Bollingberg	Board Member
Andrew Currie	Superintendent
Lindsay Polk	Business Manager



INDEPENDENT AUDITOR'S REPORT

School Board
Barnes County North Public School District
Wimbledon, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Barnes County North Public School District, as of and for the years ended June 30, 2023 and 2022, and the related notes to financial statements, which collectively comprise Barnes County North Public School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Barnes County North Public School District, as of June 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), 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 Barnes County North Public School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting as described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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 Barnes County North Public School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS and *Government Auditing Standards*, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Barnes County North Public School District's basic financial statements. The budgetary comparison schedule, nonmajor governmental funds – combining balance sheet, and nonmajor governmental funds – schedule of revenues, expenditures, and changes in fund balance are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule, nonmajor governmental funds – combining balance sheet, and nonmajor governmental funds – schedule of revenues, expenditures, and changes in fund balance are the responsibility of management and were derived from and relate 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 budgetary comparison schedule, nonmajor governmental funds – combining balance sheet, and nonmajor governmental funds – schedule of revenues, expenditures, and changes in fund balance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the official directory but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2023 on our consideration of Barnes County North Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Barnes County North Public School District's internal control over financial reporting and compliance.



Nadine Julson, LLC
Wahpeton, North Dakota
November 22, 2023

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

STATEMENT OF NET POSITION – MODIFIED CASH BASIS
June 30, 2023

	Primary Government	BCN Education Foundation
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 3,223,490	\$ 292,914
Total Current Assets	3,223,490	292,914
Capital Assets		
Non-depreciable		
Land	126,020	-
Depreciable, net of accumulated depreciation		
Buildings and Improvements	12,089,194	-
Vehicles	351,430	-
Equipment	74,194	-
Total Capital Assets	12,640,838	-
Total Assets	15,864,328	292,914
LIABILITIES		
Due After One Year		
General Obligation Bonds Payable	8,980,000	-
Total Long-term Liabilities	8,980,000	-
Total Liabilities	8,980,000	-
NET POSITION		
Net Investment in Capital Assets	3,660,838	-
Restricted	1,403,520	292,914
Unrestricted	1,819,970	-
Total Net Position	\$ 6,884,328	\$ 292,914

See Notes to Financial Statements

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

STATEMENT OF NET POSITION – MODIFIED CASH BASIS
June 30, 2022

	Primary Government	BCN Education Foundation
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 4,354,026	\$ 288,162
Total Current Assets	4,354,026	288,162
Capital Assets		
Non-depreciable		
Land	126,020	-
Depreciable, net of accumulated depreciation		
Buildings and Improvements	12,398,869	-
Vehicles	332,270	-
Equipment	96,408	-
Total Capital Assets	12,953,567	-
Total Assets	17,307,593	288,162
LIABILITIES		
Current Liabilities		
Current Portion of Long-term Debt		
General Obligation Bonds Payable	745,000	-
Total Current Liabilities	745,000	-
Due After One Year		
General Obligation Bonds Payable	9,745,000	-
Total Long-term Liabilities	9,745,000	-
Total Liabilities	10,490,000	-
NET POSITION		
Net Investment in Capital Assets	2,463,567	-
Restricted	1,305,730	288,162
Unrestricted	3,048,296	-
Total Net Position	\$ 6,817,593	\$ 288,162

See Notes to Financial Statements

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	BCN Education Foundation
Regular Instruction	\$ 2,480,249	\$ -	\$ 534,554	\$ (1,945,695)	\$ -
Special Instruction	153,802	-	-	(153,802)	-
Vocational Instruction	89,122	-	-	(89,122)	-
Pupil Services	280,285	-	-	(280,285)	-
General Administration Services	181,516	-	-	(181,516)	-
School Administration Services	310,048	-	-	(310,048)	-
Operation and Maintenance	303,639	-	-	(303,639)	-
Pupil Transportation	580,376	-	225,730	(354,646)	-
Student Activities	277,530	40,868	48,456	(188,206)	-
School Food Services	283,535	71,236	106,470	(105,829)	-
Community Services	103,831	-	-	(103,831)	-
Interest and Other Charges	428,018	-	-	(428,018)	-
	<u>\$ 5,471,951</u>	<u>\$ 112,104</u>	<u>\$ 915,210</u>	(4,444,637)	-
BCN Education Foundation					
Regular Instruction	<u>\$ 2,274</u>	<u>\$ -</u>	<u>\$ -</u>	-	(2,274)
General Revenues					
Taxes					
Taxes Levied for General Purposes				2,815,264	-
Taxes Levied for Building Purposes				691	-
State Aid, not restricted for specific purpose				1,613,517	-
Interest and Investment Earnings				51,668	7,026
Miscellaneous				30,232	-
Total General Revenues				<u>4,511,372</u>	<u>7,026</u>
Change in Net Position				66,735	4,752
Net Position, Beginning of Year				<u>6,817,593</u>	<u>288,162</u>
Net Position, End of Year				<u>\$ 6,884,328</u>	<u>\$ 292,914</u>

See Notes to Financial Statements

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	BCN Education Foundation
Regular Instruction	\$ 2,374,238	\$ -	\$ 247,106	\$ (2,127,132)	\$ -
Special Instruction	79,446	-	-	(79,446)	-
Vocational Instruction	87,992	-	-	(87,992)	-
Pupil Services	185,870	-	-	(185,870)	-
General Administration Services	181,149	-	-	(181,149)	-
School Administration Services	276,717	-	-	(276,717)	-
Operation and Maintenance	449,518	-	-	(449,518)	-
Pupil Transportation	535,483	-	226,523	(308,960)	-
Student Activities	248,407	11,980	66,790	(169,637)	-
School Food Services	288,291	3,872	216,308	(68,111)	-
Community Services	96,068	-	-	(96,068)	-
	<u>\$ 4,803,179</u>	<u>\$ 15,852</u>	<u>\$ 756,727</u>	(4,030,600)	-
BCN Education Foundation					
Regular Instruction	<u>\$ 16,282</u>	<u>\$ -</u>	<u>\$ 300</u>	-	(15,982)
General Revenues					
Taxes					
Taxes Levied for General Purposes				2,608,904	-
Taxes Levied for Building Purposes				5,405	-
State Aid, not restricted for specific purpose				1,853,311	-
Interest and Investment Earnings				17,257	4,160
Miscellaneous				30,552	-
Total General Revenues				<u>4,515,429</u>	<u>4,160</u>
Change in Net Position				484,829	(11,822)
Net Position, Beginning of Year				<u>6,332,764</u>	<u>299,984</u>
Net Position, End of Year				<u>\$ 6,817,593</u>	<u>\$ 288,162</u>

See Notes to Financial Statements

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
June 30, 2023

	Major Funds		Other	Total
	General Fund	Capital Projects	Governmental Funds	Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 1,860,108	\$ 1,201,482	\$ 161,900	\$ 3,223,490
Total Assets	1,860,108	1,201,482	161,900	3,223,490
FUND BALANCE				
Restricted	94,538	1,201,482	107,500	1,403,520
Assigned	-	-	54,400	54,400
Unassigned	1,765,570	-	-	1,765,570
Fund Balance	\$ 1,860,108	\$ 1,201,482	\$ 161,900	\$ 3,223,490

See Notes to Financial Statements

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
June 30, 2022

	Major Funds		Other	Total
	General Fund	Capital Projects	Governmental Funds	Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 3,079,578	\$ 1,223,210	\$ 51,238	\$ 4,354,026
Total Assets	3,079,578	1,223,210	51,238	4,354,026
FUND BALANCE				
Restricted	82,520	1,223,210	-	1,305,730
Assigned	-	-	51,238	51,238
Unassigned	2,997,058	-	-	2,997,058
Fund Balance	\$ 3,079,578	\$ 1,223,210	\$ 51,238	\$ 4,354,026

See Notes to Financial Statements

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS
TO THE STATEMENTS OF NET POSITION – MODIFIED CASH BASIS
June 30, 2023 and 2022

Total Fund Balance - Governmental Funds June 30, 2023		\$	3,223,490
Total net position reported for government activities in the statement of net position is different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.			
Cost of Capital Assets	17,254,288		
Less Accumulated Depreciation	(4,613,450)		
Net Capital Assets			12,640,838
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.			
General Obligation Bonds Payable	(8,980,000)		
Total Long-term Liabilities			(8,980,000)
Total Net Position of Governmental Activities June 30, 2023		\$	6,884,328
Total Fund Balance - Governmental Funds June 30, 2022		\$	4,354,026
Total net position reported for government activities in the statement of net position is different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.			
Cost of Capital Assets	17,148,838		
Less Accumulated Depreciation	(4,195,271)		
Net Capital Assets			12,953,567
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.			
General Obligation Bonds Payable	(10,490,000)		
Total Long-term Liabilities			(10,490,000)
Total Net Position of Governmental Activities June 30, 2022		\$	6,817,593

See Notes to Financial Statements

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**
Year Ended June 30, 2023

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Capital Projects		
REVENUES				
Local Sources	\$ 2,797,470	\$ 691	\$ 178,354	\$ 2,976,515
State Sources	1,852,376	-	742	1,853,118
Federal Sources	521,425	-	105,728	627,153
Interest Income	35,160	16,042	466	51,668
Miscellaneous Income	27,196	1,180	1,856	30,232
Total Revenues	5,233,627	17,913	287,146	5,538,686
EXPENDITURES				
Current				
Regular Instruction	2,173,832	-	-	2,173,832
Special Instruction	153,802	-	-	153,802
Vocational Instruction	89,122	-	-	89,122
Pupil Services	280,285	-	-	280,285
General Administration Services	181,516	-	-	181,516
School Administration Services	310,048	-	-	310,048
Operation and Maintenance	247,886	39,641	-	287,527
Pupil Transportation	590,176	-	-	590,176
Student Activities	277,530	-	-	277,530
School Food Services	118,301	-	165,234	283,535
Community Services	103,831	-	-	103,831
Debt Service				
Principal	1,510,000	-	-	1,510,000
Interest and Other Charges	428,018	-	-	428,018
Total Expenditures	6,464,347	39,641	165,234	6,669,222
Excess (Deficiency) of Revenues over Expenditures	(1,230,720)	(21,728)	121,912	(1,130,536)
OTHER FINANCING SOURCES (USES)				
Operating Transfer In	11,250	-	-	11,250
Operating Transfer Out	-	-	(11,250)	(11,250)
Total Other Financing Sources (Uses)	11,250	-	(11,250)	-
NET CHANGE IN FUND BALANCE	(1,219,470)	(21,728)	110,662	(1,130,536)
FUND BALANCE, BEGINNING OF YEAR	3,079,578	1,223,210	51,238	4,354,026
FUND BALANCE, END OF YEAR	\$ 1,860,108	\$ 1,201,482	\$ 161,900	\$ 3,223,490

See Notes to Financial Statements

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**
Year Ended June 30, 2022

	Major Funds		Other	Total
	General Fund	Capital Projects	Governmental Funds	Governmental Funds
REVENUES				
Local Sources	\$ 2,687,674	\$ 5,405	\$ 3,872	\$ 2,696,951
State Sources	2,106,471	-	864	2,107,335
Federal Sources	220,469	-	215,444	435,913
Interest Income	11,433	5,809	15	17,257
Miscellaneous Income	30,342	-	210	30,552
Total Revenues	5,056,389	11,214	220,405	5,288,008
EXPENDITURES				
Current				
Regular Instruction	2,067,821	-	-	2,067,821
Special Instruction	79,446	-	-	79,446
Vocational Instruction	87,992	-	-	87,992
Pupil Services	185,870	-	-	185,870
General Administration Services	181,149	-	-	181,149
School Administration Services	276,717	-	-	276,717
Operation and Maintenance	392,682	40,724	-	433,406
Pupil Transportation	449,769	-	-	449,769
Student Activities	248,407	-	-	248,407
School Food Services	134,261	-	154,030	288,291
Community Services	96,068	-	-	96,068
Total Expenditures	4,200,182	40,724	154,030	4,394,936
Excess (Deficiency) of Revenues over Expenditures	856,207	(29,510)	66,375	893,072
OTHER FINANCING SOURCES (USES)				
Operating Transfer In	65,000	-	-	65,000
Operating Transfer Out	-	-	(65,000)	(65,000)
Total Other Financing Sources (Uses)	65,000	-	(65,000)	-
NET CHANGE IN FUND BALANCE	921,207	(29,510)	1,375	893,072
FUND BALANCE, BEGINNING OF YEAR	2,158,371	1,252,720	49,863	3,460,954
FUND BALANCE, END OF YEAR	\$ 3,079,578	\$ 1,223,210	\$ 51,238	\$ 4,354,026

See Notes to Financial Statements

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENTS OF ACTIVITIES – MODIFIED CASH BASIS**
Years Ended June 30, 2023 and 2022

Net Change in Fund Balances - Total Governmental Funds June 30, 2023	\$ (1,130,536)
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs 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 depreciation exceeded capital outlays in the current year.	(312,729)
Repayment of debt principal and other long-term liabilities is an expenditure in the governmental fund financial statements, but repayment reduces long-term liabilities in the statement of net position.	1,510,000
Change in Net Position of Governmental Activities June 30, 2023	<u>\$ 66,735</u>
Net Change in Fund Balances - Total Governmental Funds June 30, 2022	\$ 893,072
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs 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 depreciation exceeded capital outlays in the current year.	(408,243)
Change in Net Position of Governmental Activities June 30, 2022	<u>\$ 484,829</u>

See Notes to Financial Statements

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Barnes County North Public School District, Wimbledon, North Dakota (the District) are presented on a modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The accompanying financial statements present the activities of the Barnes County North Public School District. The District has considered all potential component units for which the District is financially accountable and other organizations for which the nature and significance of their relationships with the District such that exclusion would cause the District's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. This criterion includes appointing a voting majority of an organization's governing body and (1) the ability of the Barnes County North Public School District 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 Barnes County North Public School District.

Based on these criteria, the Barnes County North Public School District Education Foundation (BCN Foundation) is to be included in the District as a reporting entity.

The BCN Foundation was formed to complement the District's efforts to provide quality education. Board members of the District sit on the nominating committee of the BCN Foundation that nominates board members. Thus, the entity was included as a discretely presented component unit of the District.

B. Basis of Presentation, Basis of Accounting

Government-wide statements - The statement of net position and the statement of activities display information about the primary government (Barnes County North Public School District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, fees and other non-exchange transactions. The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund financial statements - The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the district-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

1. General Fund
 - a. The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. Capital Projects Fund
 - a. Used to account for financial resources related to capital outlays made by the District.

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

Additionally, the District reports the following governmental fund types that are included in non-major funds:

1. Governmental Funds
 - a. Special Reserve Fund – Used to account for resources restricted to, or designated for, specific purposes by the District.
 - b. Food Service Fund – Used to account for food service revenues and expenditures.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental funds are reported using the modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund balance, revenues, expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts. Cash equivalents on the statement of cash flows consist of certificates of deposit with a maturity of three months or less. Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the uninsured balance.

E. Capital Assets

Capital assets include land, buildings, and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District 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 fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

Assets	Years
Buildings/Improvements	20 - 50
Equipment	10
Busses/Vehicles	10

F. Vacation Pay and Sick Pay

The expenditures for vacation and sick pay are recognized when payment is made. Full time employees are allowed up to 40 hours of sick leave per year that accumulates to a maximum 400 hours. Full time employees between 1-9 years of service are allowed 80 hours per year accumulative to 160 hours, 10-19 years of service are allowed 120 hours per year accumulative to 240 hours, 20 or more years of service are allowed 160 hours per year accumulative to 320 hours.

G. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the government activities statement of net position. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material. In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

H. Fund Balance and Net Position

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

1. Nonspendable
 - a. Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. They include items such as, but not limited to, inventories, prepaid items, or the permanent principal of endowment funds.
2. Restricted
 - a. Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
3. Committed
 - a. A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the School Board. Formal action is required to be taken to establish, modify, or rescind a fund balance commitment.
4. Assigned
 - a. Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes but are under the direction of the board and the business manager.
5. Unassigned
 - a. Unassigned fund balance is the lowest classification for the General Fund. This is a fund balance that has not been reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

It is the policy of the District to spend restricted resources first, followed by unrestricted resources. It is also the policy of the District to spend unrestricted resources in the following order: committed, assigned, and then unassigned.

I. Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows or 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.

J. Interfund Transactions

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

All other interfund transactions, except reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. In the government-wide financial statements, interfund transactions have been eliminated.

NOTE 2 – LEGAL COMPLIANCE – BUDGETS

Expenditures over Appropriations – General fund expenditures did not exceed budgeted amounts for the years ended June 30, 2023 and 2022.

NOTE 3 – DEPOSITS AND INVESTMENTS

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

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

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the State of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board. For the years ended June 30, 2023 and 2022, the District's carrying amounts of deposits were \$3,516,404 and \$4,642,188. The bank balances were \$4,485,021 and \$4,781,016. Of the bank balances, \$500,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the District's name.

Credit Risk:

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

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

Interest Rate Risk:

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

Concentration of Credit Risk:

The District does not have a limit on the amount it may invest in any one issuer.

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

NOTE 4 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended June 30, 2023 and 2022:

	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$ 126,020	\$ -	\$ -	\$ 126,020
Total Capital Assets, not being depreciated	126,020	-	-	126,020
Capital Assets, being depreciated				
Buildings and Improvements	15,464,591	-	-	15,464,591
Vehicles	1,323,236	105,450	-	1,428,686
Equipment	234,991	-	-	234,991
Total Capital Assets, being depreciated	17,022,818	105,450	-	17,128,268
Less Accumulated Depreciation for				
Buildings and Improvements	3,065,722	309,675	-	3,375,397
Vehicles	990,966	86,290	-	1,077,256
Equipment	138,583	22,214	-	160,797
Total Accumulated Depreciation	4,195,271	418,179	-	4,613,450
Total Capital Assets Being Depreciated, net	12,827,547	(312,729)	-	12,514,818
Governmental Activities Capital Assets, net	<u>\$ 12,953,567</u>	<u>\$ (312,729)</u>	<u>\$ -</u>	<u>\$ 12,640,838</u>
	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$ 126,020	\$ -	\$ -	\$ 126,020
Total Capital Assets, not being depreciated	126,020	-	-	126,020
Capital Assets, being depreciated				
Buildings and Improvements	15,464,591	-	-	15,464,591
Vehicles	1,323,236	-	-	1,323,236
Equipment	234,991	-	-	234,991
Total Capital Assets, being depreciated	17,022,818	-	-	17,022,818
Less Accumulated Depreciation for				
Buildings and Improvements	2,756,047	309,675	-	3,065,722
Vehicles	914,612	76,354	-	990,966
Equipment	116,369	22,214	-	138,583
Total Accumulated Depreciation	3,787,028	408,243	-	4,195,271
Total Capital Assets Being Depreciated, net	13,235,790	(408,243)	-	12,827,547
Governmental Activities Capital Assets, net	<u>\$ 13,361,810</u>	<u>\$ (408,243)</u>	<u>\$ -</u>	<u>\$ 12,953,567</u>

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

Depreciation expense was charged to functions/programs of the District as follows:

	2023	2022
Governmental Activities		
Regular Instruction	\$ 306,417	\$ 306,417
Operation and Maintenance	16,112	16,112
Pupil Transportation	95,650	85,714
Total Depreciation Expense - Governmental Activities	<u>\$ 418,179</u>	<u>\$ 408,243</u>

NOTE 5 – LONG-TERM LIABILITIES

During the years ended June 30, 2023 and 2022, the following changes occurred in long-term liabilities:

	Long-term Liabilites at July 1, 2022	Increases	Decreases	Long-term Liabilites at June 30, 2023	Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	\$ 10,490,000	\$ -	\$ (1,510,000)	\$ 8,980,000	\$ -
Total - Governmental Activities	<u>\$ 10,490,000</u>	<u>\$ -</u>	<u>\$ (1,510,000)</u>	<u>\$ 8,980,000</u>	<u>\$ -</u>

	Long-term Liabilites at July 1, 2021	Increases	Decreases	Long-term Liabilites at June 30, 2022	Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	\$ 10,490,000	\$ -	\$ -	\$ 10,490,000	\$ 745,000
Total - Governmental Activities	<u>\$ 10,490,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,490,000</u>	<u>\$ 745,000</u>

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

Outstanding debt at June 30, 2023 and 2022 is comprised of the following issuance:

1. General Taxable State Aid Refunding Certificates of Indebtedness, Series 2019
 - a. From an original issuance of \$11,805,000 at interest rates of 2.50-3.00%. At June 30, 2023 and 2022, \$8,980,000 and \$10,490,000 remained outstanding. The principal and interest are payable through August 1, 2033.

The debt service requirements are as follows:

\$11,805,000 Taxable State Aid Refunding Certificates of Indebtedness, Series 2019				
(Dated December 4, 2019 Due annually to August 1, 2033)				
(Interest paid semiannually on August and February 1)				
Year Ending June 30,	Rate	Principal	Interest	Payment
2024	3.00%	\$ -	\$ 266,419	\$ 266,419
2025	3.00%	790,000	243,094	1,033,094
2026	3.00%	815,000	219,019	1,034,019
2027	2.50%	840,000	196,294	1,036,294
2028	2.60%	860,000	174,614	1,034,614
2029 - 2033	2.70 - 3.00%	3,675,000	498,378	4,173,378
2034	3.00%	2,000,000	15,225	2,015,225
Totals		<u>\$ 8,980,000</u>	<u>\$ 1,613,043</u>	<u>\$ 10,593,043</u>

NOTE 6 – RISK MANAGEMENT

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

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

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of \$2,000,000 per occurrence during a twelve-month period. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

NOTE 7 – PENSION PLANS

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.

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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. Re-funded 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 and 2022, if the District were to report on the full accrual basis, a liability of \$3,233,374 and \$2,354,561 for its proportionate share of the net pension liability would have been reported. The net pension liability was measured as of June 30, 2022 and 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial calculation as of that date. The District’s proportion of the net pension liability was based on the Districts share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employees. At June 30, 2023 and 2022 the District’s proportion was .222064% and .223465%. The District’s pension contributions for the years ended June 30, 2023 and 2022 was \$210,282 and \$222,800.

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 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.

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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 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 pension plan's target asset allocation as of June 30, 2022 are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.25% 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 the 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.

Pension Plan Fiduciary Net Position

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

NOTE 8 – RETIREMENT PLAN

The District established a 403(b) retirement plan for employees. For the years ended June 30, 2023 and 2022 the amounts the District contributed were \$17,409 and \$16,194.

NOTE 9 – JOINT VENTURE

The District participates in the following joint ventures:

A. Sheyenne Valley Special Education Unit

Formed for the purpose of providing special education services to the member school districts. The Unit's governing board is composed of representatives from the member school districts, who are superintendents. The Board is responsible for adopting the Unit's budget and setting service fees at a level adequate to fund the adopted budget. The District retains no equity in the net assets of the Unit, but does have a responsibility to fund deficits of the Unit in proportion to the relative participation described above. Separate financial statements for this joint venture are available from the Unit.

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

B. Sheyenne Valley Area Career and Technology Center

Formed for the purpose of providing vocational services to the member school districts. The Center's governing board is composed of representatives from the member school districts, who are school board members. The Board is responsible for adopting the Center's budget and setting service fees at a level adequate to fund the adopted budget. The District retains no equity in the net assets of the Center, but does have a responsibility to fund deficits of the Center in proportion to the relative participation. Separate financial statements for this joint venture are available from the Center.

NOTE 10 – NONMONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its food service program. The market value of commodities received for the years ended June 30, 2023 and 2022 were \$18,551 and \$19,645.

NOTE 11 – CONCENTRATIONS

The District receives a substantial amount of its support from federal and state governments. A significant reduction in this support may have a material effect on the District's programs and its continued operations.

NOTE 12 – TRANSFERS

Fund	2023		2022	
	Transfers In	Transfers Out	Transfers In	Transfers Out
General Fund	\$ 11,250	\$ -	\$ 65,000	\$ -
Food Service	-	11,250	-	65,000
Totals	<u>\$ 11,250</u>	<u>\$ 11,250</u>	<u>\$ 65,000</u>	<u>\$ 65,000</u>

Transfers from the Food Service to the General Fund were made to reimburse food service expenditures in the General Fund.

NOTE 13 – FUND BALANCE

The following is a summary of fund balance as of June 30, 2023 and 2022:

	2023	2022
Restricted		
Capital Projects	\$ 1,201,482	\$ 1,223,210
Special Reserve	107,500	-
Student Activities	94,538	82,520
Total Restricted	<u>1,403,520</u>	<u>1,305,730</u>
Assigned		
Food Service	54,400	51,238
Unassigned	<u>1,765,570</u>	<u>2,997,058</u>
Total Fund Balance	<u>\$ 3,223,490</u>	<u>\$ 4,354,026</u>

NOTE 14 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 22, 2023, the date on which the financial statements were available to be issued.

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – MODIFIED CASH BASIS
Year Ended June 30, 2023

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Local Sources	\$ 2,423,327	\$ 2,797,470	\$ 374,143
State Sources	1,850,725	1,852,376	1,651
Federal Sources	552,324	521,425	(30,899)
Interest Income	10,000	35,160	25,160
Miscellaneous Income	-	27,196	27,196
Total Revenues	4,836,376	5,233,627	397,251
EXPENDITURES			
Current			
Regular Instruction	2,187,999	2,173,832	14,167
Special Instruction	130,000	153,802	(23,802)
Vocational Instruction	92,221	89,122	3,099
Pupil Services	289,161	280,285	8,876
General Administration Services	189,852	181,516	8,336
School Administration Services	363,670	310,048	53,622
Operation and Maintenance	307,314	247,886	59,428
Pupil Transportation	619,416	590,176	29,240
Student Activities	296,560	277,530	19,030
School Food Services	152,460	118,301	34,159
Community Services	104,622	103,831	791
Debt Service			
Principal	1,510,000	1,510,000	-
Interest and Other Charges	428,018	428,018	-
Total Expenditures	6,671,293	6,464,347	206,946
Excess (Deficiency) of Revenues over Expenditures	(1,834,917)	(1,230,720)	604,197
OTHER FINANCING SOURCES			
Operating Transfer In	-	11,250	11,250
Total Other Financing Sources	-	11,250	11,250
NET CHANGE IN FUND BALANCE	(1,834,917)	(1,219,470)	615,447
FUND BALANCE, BEGINNING OF YEAR		3,079,578	
FUND BALANCE, END OF YEAR		\$ 1,860,108	

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – MODIFIED CASH BASIS
Year Ended June 30, 2022

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Local Sources	\$ 2,402,327	\$ 2,687,674	\$ 285,347
State Sources	2,397,323	2,106,471	(290,852)
Federal Sources	131,967	220,469	88,502
Interest Income	-	11,433	11,433
Miscellaneous Income	-	30,342	30,342
Total Revenues	4,931,617	5,056,389	124,772
EXPENDITURES			
Current			
Regular Instruction	2,088,401	2,067,821	20,580
Special Instruction	82,000	79,446	2,554
Vocational Instruction	90,061	87,992	2,069
Pupil Services	197,489	185,870	11,619
General Administration Services	187,719	181,149	6,570
School Administration Services	301,647	276,717	24,930
Operation and Maintenance	1,308,945	392,682	916,263
Pupil Transportation	565,126	449,769	115,357
Student Activities	248,211	248,407	(196)
School Food Services	143,016	134,261	8,755
Community Services	100,651	96,068	4,583
Total Expenditures	5,313,266	4,200,182	1,113,084
Excess (Deficiency) of Revenues over Expenditures	(381,649)	856,207	1,237,856
OTHER FINANCING SOURCES			
Operating Transfer In	-	65,000	65,000
Total Other Financing Sources	-	65,000	65,000
NET CHANGE IN FUND BALANCE	(381,649)	921,207	1,302,856
FUND BALANCE, BEGINNING OF YEAR		2,158,371	
FUND BALANCE, END OF YEAR		\$ 3,079,578	

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEET – MODIFIED CASH BASIS
June 30, 2023

	Special Reserve	Food Service	Total Other Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 107,500	\$ 54,400	\$ 161,900
Total Assets	107,500	54,400	161,900
FUND BALANCE			
Restricted	107,500	-	107,500
Assigned	-	54,400	54,400
Fund Balance	\$ 107,500	\$ 54,400	\$ 161,900

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEET – MODIFIED CASH BASIS
June 30, 2022

	<u>Food Service</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 51,238</u>
Total Assets	51,238
FUND BALANCE	
Assigned	<u>51,238</u>
Fund Balance	<u><u>\$ 51,238</u></u>

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – MODIFIED CASH BASIS**
Year Ended June 30, 2023

	Special Reserve	Food Service	Total Other Governmental Funds
REVENUES			
Local Sources	\$ 107,118	\$ 71,236	\$ 178,354
State Sources	-	742	742
Federal Sources	-	105,728	105,728
Interest Income	382	84	466
Miscellaneous Income	-	1,856	1,856
Total Revenues	107,500	179,646	287,146
EXPENDITURES			
Current			
School Food Services	-	165,234	165,234
Total Expenditures	-	165,234	165,234
Excess of Revenues over Expenditures	107,500	14,412	121,912
OTHER FINANCING SOURCES (USES)			
Operating Transfer Out	-	(11,250)	(11,250)
Total Other Financing Sources (Uses)	-	(11,250)	(11,250)
NET CHANGE IN FUND BALANCE	107,500	3,162	110,662
FUND BALANCE, BEGINNING OF YEAR	-	51,238	51,238
FUND BALANCE, END OF YEAR	\$ 107,500	\$ 54,400	\$ 161,900

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – MODIFIED CASH BASIS**
Year Ended June 30, 2022

	<u>Food Service</u>
REVENUES	
Local Sources	\$ 3,872
State Sources	864
Federal Sources	215,444
Interest Income	15
Miscellaneous Income	<u>210</u>
Total Revenues	220,405
EXPENDITURES	
Current	
School Food Services	<u>154,030</u>
Total Expenditures	<u>154,030</u>
Excess of Revenues over Expenditures	66,375
OTHER FINANCING SOURCES (USES)	
Operating Transfer Out	<u>(65,000)</u>
Total Other Financing Sources (Uses)	<u>(65,000)</u>
NET CHANGE IN FUND BALANCE	1,375
FUND BALANCE, BEGINNING OF YEAR	<u>49,863</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 51,238</u></u>



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

School Board
Barnes County North Public School District
Wimbledon, North Dakota

We have audited, 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, the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Barnes County North Public School District, as of and for the years ended June 30, 2023 and 2022, and the related notes to financial statements, which collectively comprise the Barnes County North Public School District's basic financial statements, and have issued our report thereon dated November 22, 2023.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Barnes County North Public School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these 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*.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of current year audit findings. The District's 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 the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Nadine Julson, LLC
Wahpeton, North Dakota
November 22, 2023

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

SCHEDULE OF CURRENT YEAR FINDINGS
Years ended June 30, 2023 and 2022

2023-001 INADEQUATE SEGREGATION OF DUTIES

Criteria

The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

Condition

Proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel, so duties of employees are properly segregated. More segregation of duties would provide better control over the assets of the District.

Effect or Potential Effect

Without sufficient segregation of duties, the risk significant increases that errors and fraud related to cash receipts, disbursements, and reconciliations, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

Views of Responsible Officials

There is no disagreement with the audit finding and we understand that this will be a repeated recommendation due to the limited amount of resources of the District. The District will segregate functions where feasible.

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Schedule of Current Year Findings – Continued

2023-002 FINANCIAL STATEMENT PREPARATION

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.

Condition

The District does not have an internal control system designed to provide for the preparation of the financial statements being audited, including recording government wide journal entries. As auditors, we were requested to draft the financial statements, which include proposing government wide journal entries, and drafting the accompanying notes to the financial statements.

Effect of Potential Effect

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

Recommendation

We recommend the District be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. As a compensating control, the District should establish an internal control policy to document annual review of the financial statements and to review a financial statement disclosure checklist.

Views of Responsible Officials

The District will continue to have the auditor prepare the financial statements. It is currently not cost-effective for management to perform the preparation.

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Years ended June 30, 2023 and 2022

Prior Financial Statement Findings

2021-001

A material weakness was reported for inadequate segregation of duties.

Corrective Action Plan

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements. This material weakness continues to exist under the current audit findings as finding number 2023-001.

2021-002

A material weakness was reported for financial statement preparation.

Corrective Action Plan

The accounting functions should be reviewed to determine if it is feasible for the District to prepare its own financial statements. This material weakness continues to exist under the current audit finding 2023-002.