

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

AUDITED FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

TABLE OF CONTENTS
June 30, 2023 and 2022

	<u>Page(s)</u>
Official Directory	1
INDEPENDENT AUDITOR’S REPORT	2 – 4
BASIC FINANCIAL STATEMENTS	
Statements of Net Position – Modified Cash Basis	5
Statement of Activities – Modified Cash Basis	6 – 7
Balance Sheet – Governmental Funds – Modified Cash Basis	8 – 9
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position – Modified Cash Basis	10 – 11
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds – Modified Cash Basis	12 – 13
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Modified Cash Basis	14 – 15
Notes to Financial Statements	16 – 30
SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund – Modified Cash Basis	31 – 32
Nonmajor Governmental Funds – Combining Balance Sheet – Modified Cash Basis	33 – 34
Nonmajor Governmental Funds – Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – Modified Cash Basis	35 – 36
Schedule of Expenditures of Federal Awards	37
Notes to Schedule of Expenditures of Federal Awards	38
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 <i>GOVERNMENT AUDITING STANDARDS</i>	39 – 42
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	43 – 45
Schedule of Current Year Findings	46 – 47
Schedule of Findings and Questioned Costs	48 – 49

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Table of Contents – Continued

Summary Schedule of Prior Audit Findings	50 – 51
Corrective Action Plan	52

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

OFFICIAL DIRECTORY
June 30, 2023

Paul Billing	President
Brian Midthun	Vice-President
Patrick Stansbery	Board Member
Katie Geske	Board Member
Joshua Warg	Board Member
Phillip French	Superintendent
Tammy Boeder	Business Manager



INDEPENDENT AUDITOR'S REPORT

School Board
Enderlin Area Public School District
Enderlin, 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, each major fund, and the aggregate remaining fund information of the Enderlin Area Public School District (the "District"), as of and for the years ended June 30, 2023 and 2022, and the related notes to financial statements, which collectively comprise the 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, each major fund, and the aggregate remaining fund information of the 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 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 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison schedule, nonmajor governmental funds – combining balance sheet, nonmajor governmental funds – schedule of revenues, expenditures, and changes in fund balance, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the nonmajor governmental funds – combining balance, nonmajor governmental funds – combining schedule of revenues, expenditures, and changes in fund balance, and schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information 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 October 1, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the District's internal control over financial reporting and compliance.



Nadine Julson, LLC
Wahpeton, North Dakota
October 1, 2024

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

STATEMENTS OF NET POSITION – MODIFIED CASH BASIS
June 30, 2023 and 2022

	2023	2022
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 630,792	\$ 513,822
Savings and CD's	612,185	813,675
Total Current Assets	1,242,977	1,327,497
Capital Assets		
Non-depreciable		
Land	82,688	82,688
Depreciable, net of accumulated depreciation		
Buildings and Improvements	6,124,183	6,173,744
Vehicles	158,441	135,361
Equipment	93,906	120,876
Total Capital Assets	6,459,218	6,512,669
Total Assets	7,702,195	7,840,166
LIABILITIES		
Current Liabilities		
Current Portion of Long-term Debt		
General Obligation Bonds Payable	254,041	255,795
Total Current Liabilities	254,041	255,795
Due After One Year		
General Obligation Bonds Payable	2,924,615	3,072,062
Total Long-term Liabilities	2,924,615	3,072,062
Total Liabilities	3,178,656	3,327,857
NET POSITION		
Net Investment in Capital Assets	3,280,562	3,184,812
Restricted	477,216	468,493
Unrestricted	765,761	859,004
Total Net Position	\$ 4,523,539	\$ 4,512,309

See Notes to Financial Statements

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, 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
Regular Instruction	\$ 2,466,101	\$ 10,272	\$ 326,979	\$ (2,128,850)
Special Instruction	489,894	-	-	(489,894)
Vocational Instruction	113,031	-	20,555	(92,476)
Pupil Services	180,161	-	-	(180,161)
General Administration Services	157,088	-	-	(157,088)
School Administration Services	160,926	-	-	(160,926)
Other Support Services	198,311	-	-	(198,311)
Operation and Maintenance	607,563	-	-	(607,563)
Pupil Transportation	257,280	-	127,759	(129,521)
Student Activities	705,735	340,566	39,128	(326,041)
School Food Services	213,429	89,892	125,562	2,025
Interest and Other Charges	65,768	-	-	(65,768)
	<u>\$ 5,615,287</u>	<u>\$ 440,730</u>	<u>\$ 639,983</u>	<u>(4,534,574)</u>
General Revenues				
Taxes				
Taxes Levied for General Purposes				1,452,319
Taxes Levied for Debt Purposes				104,462
Taxes Levied for Building Purposes				175,295
State Aid, not restricted for specific purpose				2,729,560
Interest and Investment Earnings				6,856
Miscellaneous				77,312
Total General Revenues				<u>4,545,804</u>
Change in Net Position				11,230
Net Position, Beginning of Year				<u>4,512,309</u>
Net Position, End of Year				<u>\$ 4,523,539</u>

See Notes to Financial Statements

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, 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
Regular Instruction	\$ 2,746,569	\$ 10,860	\$ 1,074,317	\$ (1,661,392)
Special Instruction	455,516	-	-	(455,516)
Vocational Instruction	145,639	-	20,332	(125,307)
Pupil Services	143,626	-	-	(143,626)
General Administration Services	151,430	-	-	(151,430)
School Administration Services	150,649	-	-	(150,649)
Other Support Services	202,206	-	-	(202,206)
Operation and Maintenance	608,897	-	-	(608,897)
Pupil Transportation	313,105	-	132,399	(180,706)
Student Activities	607,593	253,533	16,027	(338,033)
School Food Services	237,761	12,857	232,986	8,082
Interest and Other Charges	70,345	-	-	(70,345)
	<u>\$ 5,833,336</u>	<u>\$ 277,250</u>	<u>\$ 1,476,061</u>	<u>(4,080,025)</u>
General Revenues				
Taxes				
Taxes Levied for General Purposes				1,283,208
Taxes Levied for Debt Purposes				101,165
Taxes Levied for Building Purposes				166,554
State Aid, not restricted for specific purpose				2,680,907
Interest and Investment Earnings				17,130
Miscellaneous				6,606
Total General Revenues				<u>4,255,570</u>
Change in Net Position				175,545
Net Position, Beginning of Year				<u>4,336,764</u>
Net Position, End of Year				<u>\$ 4,512,309</u>

See Notes to Financial Statements

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

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

	Major Fund		
	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 474,457	\$ 156,335	\$ 630,792
Savings and CD's	604,574	7,611	612,185
Total Assets	1,079,031	163,946	1,242,977
FUND BALANCE			
Restricted	352,014	125,202	477,216
Assigned	-	38,744	38,744
Unassigned	727,017	-	727,017
Total Fund Balance	\$ 1,079,031	\$ 163,946	\$ 1,242,977

See Notes to Financial Statements

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

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

	Major Fund		
	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 354,832	\$ 158,990	\$ 513,822
Savings and CD's	806,064	7,611	813,675
Total Assets	1,160,896	166,601	1,327,497
FUND BALANCE			
Restricted	337,223	131,270	468,493
Assigned	-	35,331	35,331
Unassigned	823,673	-	823,673
Total Fund Balance	\$ 1,160,896	\$ 166,601	\$ 1,327,497

See Notes to Financial Statements

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION – MODIFIED CASH BASIS
June 30, 2023

Total Fund Balance - Governmental Funds		\$	1,242,977
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	10,673,082		
Less Accumulated Depreciation	<u>(4,213,864)</u>		
Net Capital Assets			6,459,218
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	<u>(3,178,656)</u>		
Total Long-term Liabilities			<u>(3,178,656)</u>
Total Net Position of Governmental Activities		\$	<u><u>4,523,539</u></u>

See Notes to Financial Statements

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION – MODIFIED CASH BASIS**
June 30, 2022

Total Fund Balance - Governmental Funds		\$	1,327,497
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	10,366,591		
Less Accumulated Depreciation	(3,853,922)		
Net Capital Assets			6,512,669
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	(3,327,857)		
Total Long-term Liabilities			(3,327,857)
Total Net Position of Governmental Activities		\$	4,512,309

See Notes to Financial Statements

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

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

	Major Fund		
	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Local Sources	\$ 1,842,285	\$ 414,508	\$ 2,256,793
State Sources	2,887,019	662	2,887,681
Federal Sources	317,834	124,900	442,734
Interest Income	6,601	255	6,856
Miscellaneous Income	32,412	41	32,453
Total Revenues	5,086,151	540,366	5,626,517
EXPENDITURES			
Current			
Regular Instruction	2,562,018	-	2,562,018
Special Instruction	489,894	-	489,894
Vocational Instruction	113,031	-	113,031
Pupil Services	180,161	-	180,161
General Administration Services	157,088	-	157,088
School Administration Services	160,926	-	160,926
Other Support Services	198,311	-	198,311
Operation and Maintenance	335,377	-	335,377
Pupil Transportation	280,360	-	280,360
Student Activities	690,850	-	690,850
School Food Services	-	212,162	212,162
Debt Service			
Principal	-	255,795	255,795
Interest and Other Charges	-	65,768	65,768
Facilities Acquisition and Construction	-	115,890	115,890
Total Expenditures	5,168,016	649,615	5,817,631
Excess (Deficiency) of Revenues over Expenditures	(81,865)	(109,249)	(191,114)
OTHER FINANCING SOURCES			
Proceeds from Long-term Debt	-	106,594	106,594
Total Other Financing Sources	-	106,594	106,594
NET CHANGE IN FUND BALANCE	(81,865)	(2,655)	(84,520)
FUND BALANCE, BEGINNING OF YEAR	1,160,896	166,601	1,327,497
FUND BALANCE, END OF YEAR	\$ 1,079,031	\$ 163,946	\$ 1,242,977

See Notes to Financial Statements

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

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

	Major Fund		
	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Local Sources	\$ 1,563,628	\$ 280,207	\$ 1,843,835
State Sources	2,833,638	342	2,833,980
Federal Sources	1,074,317	232,644	1,306,961
Interest Income	17,041	89	17,130
Miscellaneous Income	6,606	369	6,975
Total Revenues	5,495,230	513,651	6,008,881
EXPENDITURES			
Current			
Regular Instruction	3,272,812	-	3,272,812
Special Instruction	455,516	-	455,516
Vocational Instruction	145,639	-	145,639
Pupil Services	143,626	-	143,626
General Administration Services	151,430	-	151,430
School Administration Services	150,649	-	150,649
Other Support Services	202,206	-	202,206
Operation and Maintenance	336,711	-	336,711
Pupil Transportation	271,778	-	271,778
Student Activities	602,168	-	602,168
School Food Services	-	236,494	236,494
Debt Service			
Principal	-	250,992	250,992
Interest and Other Charges	-	70,345	70,345
Facilities Acquisition and Construction	-	3,700	3,700
Total Expenditures	5,732,535	561,531	6,294,066
Excess (Deficiency) of Revenues over Expenditures	(237,305)	(47,880)	(285,185)
FUND BALANCE, BEGINNING OF YEAR	1,398,201	214,481	1,612,682
FUND BALANCE, END OF YEAR	\$ 1,160,896	\$ 166,601	\$ 1,327,497

See Notes to Financial Statements

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

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

Net Change in Fund Balances - Total Governmental Funds	\$ (84,520)
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.	(53,451)
Governmental funds report debt proceeds as current financial resources. The statement of activities treats such issuance of bonds payable as a liability.	(106,594)
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.	255,795
Change in Net Position of Governmental Activities	<u>\$ 11,230</u>

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

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

Net Change in Fund Balances - Total Governmental Funds	\$ (285,185)
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 capital outlays exceeded depreciation in the current year.	209,738
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.	<u>250,992</u>
Change in Net Position of Governmental Activities	<u>\$ 175,545</u>

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Enderlin Area Public School District, Enderlin, 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 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 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 the District.

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

B. Basis of Presentation

Government-wide statements – The statement of net position and the statement of activities display information about the primary government, the Enderlin Area 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 governmental categories.. 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 fund:

- General Fund – 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.

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

- Governmental Funds
 - Special Reserve Fund – Used to account for resources restricted to, or designated for, specific purposes by the District.
 - Capital Projects Fund – Used to account for financial resources related to capital outlays made by the District.
 - Debt Service Fund – Used to account for the accumulation of resources for, and payment of, general obligation bond principal, interest, and related costs.
 - Food Service Fund – Used to account for food service revenues and expenditures.

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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:

<u>Assets</u>	<u>Years</u>
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. Teachers receive up to 3 personal days annually, accumulative to 6 days. Teachers with any unused earned personal leave will be paid at the same rate as the daily compensation for a short-term substitute teacher for each day of unused personal leave. Teachers are also allowed 20 days of sick leave per year that upon termination of employment, a lump sum payment of \$10 per day for unused accumulated sick leave. If a teacher has a minimum of 20 years of service in the District, they will receive \$35 per day.

Full-time twelve-month employees after being employed for 1 year as of July 1 shall receive 10 days of non-accumulative vacation days. Any twelve-month employee granted vacation time and who shall resign or be relieved of their position shall be entitled to prorated monetary reimbursement for unused vacation days.

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:

- **Nonspendable**
 - 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.
- **Restricted**
 - 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.
- **Committed**
 - 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.
- **Assigned**
 - 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.
- **Unassigned**
 - 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.

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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 \$1,242,977 and \$1,327,497. The bank balances were \$1,337,082 and \$1,391,438. 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.

At June 30, 2023 and 2022, the District held \$607,217 and \$806,928 in certificates of deposit.

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.

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

NOTE 4 – PROPERTY TAXES

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes and all the special assessments and the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount on property taxes is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

NOTE 5 – 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	\$ 82,688	\$ -	\$ -	\$ 82,688
Total Capital Assets, not being depreciated	82,688	-	-	82,688
Capital Assets, being depreciated				
Buildings and Improvements	9,116,471	236,491	-	9,352,962
Vehicles	742,072	70,000	-	812,072
Equipment	425,360	-	-	425,360
Total Capital Assets, being depreciated	10,283,903	306,491	-	10,590,394
Less Accumulated Depreciation for				
Buildings and Improvements	2,942,727	286,052	-	3,228,779
Vehicles	606,711	46,920	-	653,631
Equipment	304,484	26,970	-	331,454
Total Accumulated Depreciation	3,853,922	359,942	-	4,213,864
Total Capital Assets Being Depreciated, net	6,429,981	(53,451)	-	6,376,530
Governmental Activities Capital Assets, net	\$ 6,512,669	\$ (53,451)	\$ -	\$ 6,459,218

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$ 82,688	\$ -	\$ -	\$ 82,688
Construction in Progress	1,437,998	-	(1,437,998)	-
Total Capital Assets, not being depreciated	1,520,686	-	(1,437,998)	82,688
Capital Assets, being depreciated				
Buildings and Improvements	7,138,399	1,978,072	-	9,116,471
Vehicles	742,072	-	-	742,072
Equipment	410,807	14,553	-	425,360
Total Capital Assets, being depreciated	8,291,278	1,992,625	-	10,283,903
Less Accumulated Depreciation for				
Buildings and Improvements	2,666,135	276,592	-	2,942,727
Vehicles	565,384	41,327	-	606,711
Equipment	277,514	26,970	-	304,484
Total Accumulated Depreciation	3,509,033	344,889	-	3,853,922
Total Capital Assets Being Depreciated, net	4,782,245	1,647,736	-	6,429,981
Governmental Activities Capital Assets, net	\$ 6,302,931	\$ 1,647,736	\$ (1,437,998)	\$ 6,512,669

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

	2023	2022
Governmental Activities		
Regular Instruction	\$ 24,684	\$ 24,684
Operation and Maintenance	272,186	272,186
Pupil Transportation	46,920	41,327
Student Activities	14,885	5,425
School Food Services	1,267	1,267
Total Depreciation Expense - Governmental Activities	\$ 359,942	\$ 344,889

NOTE 6 – LONG-TERM LIABILITIES

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

	Long-term Liabilities at July 1, 2022	Increases	Decreases	Long-term Liabilities at June 30, 2023	Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	\$ 3,327,857	\$ 106,594	\$ (255,795)	\$ 3,178,656	\$ 254,041
Total - Governmental Activities	\$ 3,327,857	\$ 106,594	\$ (255,795)	\$ 3,178,656	\$ 254,041

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

	Long-term Liabilities at July 1, 2021	Increases	Decreases	Long-term Liabilities at June 30, 2022	Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	\$ 3,578,849	\$ -	\$ (250,992)	\$ 3,327,857	\$ 255,795
Total - Governmental Activities	<u>\$ 3,578,849</u>	<u>\$ -</u>	<u>\$ (250,992)</u>	<u>\$ 3,327,857</u>	<u>\$ 255,795</u>

Outstanding debt at June 30, 2023 and 2022, are comprised of the following individual issuances:

1. General Obligation State School Construction Fund Bond Series 2020A
 - a. From an original issuance of \$1,515,000, at an interest rate of 2.00%, \$1,308,656 and \$1,267,857 remained outstanding at June 30, 2021 and 2020. The principal and interest are payable through June 1, 2040.
2. North Dakota State Aid Refunding Certificates of Indebtedness Series 2020B
 - a. From an original issuance of \$2,245,000, at an interest rate of 2.00%, \$1,870,000 and \$2,060,000 remained outstanding at June 30, 2021 and 2020. The principal and interest are payable through August 1, 2031.

The debt service requirement are as follows:

General Obligation Bonds			
Year Ending June 30,	Principal	Interest	Payment
2024	\$ 254,041	\$ 63,127	\$ 317,168
2025	261,775	56,542	318,317
2026	268,111	51,256	319,367
2027	274,473	45,844	320,317
2028	280,862	40,305	321,167
2029 - 2033	1,246,147	117,488	1,363,635
2034 - 2038	415,298	43,038	458,336
2039 - 2040	177,949	5,364	183,313
Totals	<u>\$ 3,178,656</u>	<u>\$ 422,964</u>	<u>\$ 3,601,620</u>

NOTE 7 – 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 (NDRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The District pays an annual premium to NDRF for its general liability, auto and public assets insurance coverage. The coverage by NDRF is limited to losses of \$7,000,000 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 \$1,805,137 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

NOTE 8 – 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.

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.

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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 \$4,116,923 and \$2,974,577 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 District's 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 .282745% and .282310%. The District's pension contributions for the years ended June 30, 2023 and 2022 was \$291,105 and \$283,682.

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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.

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 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, is 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.

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

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.

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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.

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 and 2022, if the District were to report on the full accrual basis, a liability of \$1,466,962 and \$473,851 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 District's share of covered payroll in the pension plan relative to the covered payroll of all participating NDPERS employees. At June 30, 2023 and 2022 the District's proportion was .050935% and .045462%. The District's pension contributions for the years ended June 30, 2023 and 2022 was \$40,205 and \$47,923.

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%	6.00%
International Equity	21%	6.70%
Private Equity	7%	9.50%
Domestic Fixed Income	23%	0.73%
Global Real Assets	19%	4.77%
Cash Equivalents	0%	0.00%

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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%.

Pension Plan Fiduciary Net Position

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

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as parttime/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.

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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 and 2022, if the District were to report on the full accrual basis, a liability of \$54,072 and \$23,722 for its proportionate share of the net OPEB liability would have been reported. The net OPEB liability was measured as of June 30, 2022 and 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial calculation as of that date. The District's proportion of the net OPEB liability was based on the District's share of covered payroll in the OPEB plan relative to the covered payroll of all participating NDPERS employees. At June 30, 2023 and 2022 the District's proportion was .045048% and .042652%. The District's OPEB contributions for the years ended June 30, 2023 and 2022 was \$4,316 and \$6,164.

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, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap Domestic Equities	33%	5.85%
Small Cap Domestic Equities	6%	6.75%
Domestic Fixed Income	35%	0.50%
International Equities	26%	6.25%

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

NOTE 10 – JOINT VENTURE

The District participates in the following joint venture:

South 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.

NOTE 11 – 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 was \$14,174 and \$13,731.

NOTE 12 – 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 13 – FUND BALANCE

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

	2023	2022
Restricted		
Special Reserve	\$ 7,611	\$ 7,611
Capital Projects	96,199	115,061
Debt Service	21,392	8,598
Student Activities	352,014	337,223
Total Restricted	477,216	468,493
Assigned		
Food Service	38,744	35,331
Total Assigned	38,744	35,331
Unassigned	727,017	823,673
Total Fund Balance	\$ 1,242,977	\$ 1,327,497

NOTE 14 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 1, 2024, the date on which the financial statements were available to be issued.

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, 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	\$ 1,849,344	\$ 1,842,285	\$ (7,059)
State Sources	2,887,647	2,887,019	(628)
Federal Sources	327,365	317,834	(9,531)
Interest Income	3,349	6,601	3,252
Miscellaneous Income	12,000	32,412	20,412
Total Revenues	5,079,705	5,086,151	6,446
EXPENDITURES			
Current			
Regular Instruction	2,599,901	2,562,018	37,883
Special Instruction	505,397	489,894	15,503
Vocational Instruction	117,494	113,031	4,463
Pupil Services	180,437	180,161	276
General Administration Services	156,845	157,088	(243)
School Administration Services	165,298	160,926	4,372
Other Support Services	198,355	198,311	44
Operation and Maintenance	353,883	335,377	18,506
Pupil Transportation	313,704	280,360	33,344
Student Activities	680,138	690,850	(10,712)
Total Expenditures	5,271,452	5,168,016	103,436
Excess (Deficiency) of Revenues over Expenditures	(191,747)	(81,865)	109,882
FUND BALANCE, BEGINNING OF YEAR		1,160,896	
FUND BALANCE, END OF YEAR		\$ 1,079,031	

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, 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	\$ 1,585,383	\$ 1,563,628	\$ (21,755)
State Sources	2,993,628	2,833,638	(159,990)
Federal Sources	1,082,316	1,074,317	(7,999)
Interest Income	16,966	17,041	75
Miscellaneous Income	12,000	6,606	(5,394)
Total Revenues	5,690,293	5,495,230	(195,063)
EXPENDITURES			
Current			
Regular Instruction	3,340,341	3,272,812	67,529
Special Instruction	436,261	455,516	(19,255)
Vocational Instruction	134,323	145,639	(11,316)
Pupil Services	144,355	143,626	729
General Administration Services	152,774	151,430	1,344
School Administration Services	151,543	150,649	894
Other Support Services	203,581	202,206	1,375
Operation and Maintenance	349,005	336,711	12,294
Pupil Transportation	292,315	271,778	20,537
Student Activities	550,605	602,168	(51,563)
Total Expenditures	5,755,103	5,732,535	22,568
Excess (Deficiency) of Revenues over Expenditures	(64,810)	(237,305)	(172,495)
OTHER FINANCING SOURCES (USES)			
Operating Transfer Out	(1,000)	-	1,000
Total Other Financing Sources (Uses)	(1,000)	-	1,000
NET CHANGE IN FUND BALANCE	(65,810)	(237,305)	(171,495)
FUND BALANCE, BEGINNING OF YEAR		1,398,201	
FUND BALANCE, END OF YEAR		\$ 1,160,896	

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

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

	Special Reserve	Food Service	Debt Service	Capital Projects	Total Other Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ -	\$ 38,744	\$ 21,392	\$ 96,199	\$ 156,335
Savings and CD's	7,611	-	-	-	7,611
Total Assets	7,611	38,744	21,392	96,199	163,946
FUND BALANCE					
Restricted	7,611	-	21,392	96,199	125,202
Assigned	-	38,744	-	-	38,744
Total Fund Balance	<u>\$ 7,611</u>	<u>\$ 38,744</u>	<u>\$ 21,392</u>	<u>\$ 96,199</u>	<u>\$ 163,946</u>

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

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

	Special Reserve	Food Service	Debt Service	Capital Projects	Total Other Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ -	\$ 35,331	\$ 8,598	\$ 115,061	\$ 158,990
Savings and CD's	7,611	-	-	-	7,611
Total Assets	7,611	35,331	8,598	115,061	166,601
FUND BALANCE					
Restricted	7,611	-	8,598	115,061	131,270
Assigned	-	35,331	-	-	35,331
Total Fund Balance	<u>\$ 7,611</u>	<u>\$ 35,331</u>	<u>\$ 8,598</u>	<u>\$ 115,061</u>	<u>\$ 166,601</u>

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, 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	Debt Service	Capital Projects	Total Other Governmental Funds
REVENUES					
Local Sources	\$ -	\$ 89,851	\$ 104,462	\$ 220,195	\$ 414,508
State Sources	-	662	-	-	662
Federal Sources	-	124,900	-	-	124,900
Interest Income	-	121	-	134	255
Miscellaneous Income	-	41	-	-	41
Total Revenues	-	215,575	104,462	220,329	540,366
EXPENDITURES					
Current					
School Food Services	-	212,162	-	-	212,162
Debt Service					
Principal	-	-	65,795	190,000	255,795
Interest and Other Charges	-	-	25,873	39,895	65,768
Facilities Acquisition and Construction	-	-	-	115,890	115,890
Total Expenditures	-	212,162	91,668	345,785	649,615
Excess (Deficiency) of Revenues over Expenditures	-	3,413	12,794	(125,456)	(109,249)
OTHER FINANCING SOURCES					
Proceeds from Long-term Debt	-	-	-	106,594	106,594
Total Other Financing Sources	-	-	-	106,594	106,594
NET CHANGE IN FUND BALANCE	-	3,413	12,794	(18,862)	(2,655)
FUND BALANCE, BEGINNING OF YEAR	7,611	35,331	8,598	115,061	166,601
FUND BALANCE, END OF YEAR	\$ 7,611	\$ 38,744	\$ 21,392	\$ 96,199	\$ 163,946

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

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

	Special Reserve	Food Service	Debt Service	Capital Projects	Total Other Governmental Funds
REVENUES					
Local Sources	\$ -	\$ 12,488	\$ 101,165	\$ 166,554	\$ 280,207
State Sources	-	342	-	-	342
Federal Sources	-	232,644	-	-	232,644
Interest Income	60	-	-	29	89
Miscellaneous Income	-	369	-	-	369
Total Revenues	60	245,843	101,165	166,583	513,651
EXPENDITURES					
Current					
School Food Services	-	236,494	-	-	236,494
Debt Service					
Principal	-	-	65,992	185,000	250,992
Interest and Other Charges	-	-	26,575	43,770	70,345
Facilities Acquisition and Construction	-	-	-	3,700	3,700
Total Expenditures	-	236,494	92,567	232,470	561,531
Excess (Deficiency) of Revenues over Expenditures	60	9,349	8,598	(65,887)	(47,880)
FUND BALANCE, BEGINNING OF YEAR	7,551	25,982	-	180,948	214,481
FUND BALANCE, END OF YEAR	\$ 7,611	\$ 35,331	\$ 8,598	\$ 115,061	\$ 166,601

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through North Dakota Department of Public Instruction			
School Breakfast Program	10.553	F10553	\$ 30,651
National School Lunch Program - Cash	10.555	F10555	172,043
National School Lunch Program - Commodities	10.555	F10555	16,358
Fresh Fruit and Vegetable Program	10.582	F10582	11,495
Total Child Nutrition Cluster			230,547
State Administrative Expenses for Children Nutrition	10.560	F10560	1,483
Pandemic EBT Administrative Costs	10.649	F10649	614
Total U.S. Department of Agriculture			232,644
U.S. DEPARTMENT OF THE INTERIOR			
Wildlife Restoration and Basic Hunter Education	15.611	N/A	1,321
U.S. DEPARTMENT OF EDUCATION			
Passed through North Dakota Department of Public Instruction			
Title I - Grants to LEA's	84.010	F84010	108,117
Supporting Effective Instruction State Grants	84.367	F84367	23,791
Student Support and Academic Enrichment Program	84.424	F84424	20,591
Elementary and Secondary School Emergency Relief Fund - ESSER I & II	84.425D	F84425D	196,539
Elementary and Secondary School Emergency Relief Fund - ARP ESSER	84.425U	F84425U	723,958
Total U.S. Department of Education			1,072,996
Total Expenditures of Federal Awards			\$ 1,306,961

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal award activity of the Enderlin Area Public School District under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The amounts reported on the schedule have been reconciled to and are in agreement with amounts recorded in the accounting records from which the financial statements have been reported.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified cash 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. The Enderlin Area Public School District has not elected to use the 10-percent de minimis cost rate as allowed under the Uniform Guidance.

NOTE 3 – NONCASH AWARDS

Non-monetary assistance is reported in the schedule of federal awards at the fair market value of commodities received and disbursed.



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
Enderlin Area Public School District
Enderlin, 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, each major fund, and the aggregate remaining fund information of Enderlin Area Public School District (the "District"), as of and for the year ended June 30, 2023, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 1, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the 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 the 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 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
October 1, 2024



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
Enderlin Area Public School District
Enderlin, 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, each major fund, and the aggregate remaining fund information of Enderlin Area Public School District (the "District"), as of and for the year ended June 30, 2022, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 1, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the 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 findings and questioned costs that we consider to be material weaknesses (2022-001 and 2022-002).

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 findings and questioned costs. 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.

A handwritten signature in black ink that reads "Nadine Julson, LLC". The signature is written in a cursive, flowing style.

Nadine Julson, LLC
Wahpeton, North Dakota
October 1, 2024



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

School Board
Enderlin Area Public School District
Enderlin, North Dakota

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the Enderlin Area Public School District (the "District")'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal program for the year ended June 30, 2022. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 the District 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 the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *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 the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Nadine Julson, LLC

Nadine Julson, LLC
Wahpeton, North Dakota
October 1, 2024

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

SCHEDULE OF CURRENT YEAR FINDINGS
Year ended June 30, 2023

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.

ENDERLIN AREA 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.

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of Auditor's Report Issued	Unmodified
Internal Control Over Financial Reporting	
Material weakness identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal Control Over Major Programs	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit finding disclosed that are required to be reported in accordance with 2 CDF 200.516(a)?	No
Identification of Major Programs	
<u>Name of Federal Program</u>	<u>ALN Number</u>
Education Stabilization Fund	84.425
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee	No

SECTION II - FINANCIAL STATEMENT FINDINGS

2022-001 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.

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Schedule of Findings and Questioned Costs – Continued

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.

Repeat Finding

Yes.

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.

2022-002 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.

Repeat Finding

Yes.

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.

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2023

Prior Financial Statement Findings

2022-001

A material weakness was reported for inadequate segregation of duties.

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. This material weakness continues to exist under the current audit findings as finding number 2023-001.

2022-002

A material weakness was reported for financial statement preparation.

Recommendation

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.

ENDERLIN AREA PUBLIC SCHOOL DISTRICT
Enderlin, North Dakota

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2022

Prior Financial Statement Findings

2021-001

A material weakness was reported for inadequate segregation of duties.

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. This material weakness continues to exist under the current audit findings as finding number 2022-001.

2021-002

A material weakness was reported for financial statement preparation.

Recommendation

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 2022-002.

ENDERLIN AREA PUBLIC SCHOOL DISTRICT NO. 24

410 Bluff Street
Enderlin, ND 58027
Telephone 701.437.2240 * Fax 701.437.2242 or 701.437.2243
Email <http://www.enderlin.k12.nd.us/>

Creating learners who believe in the power of their education to help them learn, excel, influence their world, and direct their future.

PHILIP FRENCH, SUPERINTENDENT
TAMMY BOEDER, Business Manager

KAYL HAMRE, High School Principal
MATTHEW WEBB, Elementary Principal

Corrective Action Plan

Year Ended June 30, 2022

2022-001 INADEQUATE SEGREGATION OF DUTIES

Contact Person – Tammy Boeder

Corrective Action Plan – The District will review segregation of duties in accounting functions where possible.

Completion Date – Ongoing.

2022-002 FINANCIAL STATEMENT PREPARATION

Contact Person – Tammy Boeder

Corrective Action Plan – The District will approve an internal control policy to document the review of the financial statements.

Completion Date – Ongoing.