



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

New Rockford-Sheyenne Public School District No. 2

New Rockford, North Dakota

Audit Report for the Year Ended June 30, 2024

Client Code: PS14320



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Office of the
State Auditor

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT NO. 2

Table of Contents

For the Year Ended June 30, 2024

School District Officials	1
Independent Auditor's Report	2
Basic Financial Statements	
Statement of Net Position	5
Statement of Activities	6
Balance Sheet - Governmental Funds.....	7
Reconciliation of Governmental Funds Balance Sheets to the Statement of Net Position	8
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	9
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	10
Notes to the Financial Statements.....	11
Required Supplementary Information	
Budgetary Comparison Schedules	27
Schedule of Employer's Share of Net Pension Liability and Employer Contributions	28
Schedule of Employer's Share of Net OPEB Liability and Employer Contributions	30
Notes to the Required Supplementary Information	31
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	33
Summary of Auditor's Results.....	35
Schedule of Audit Findings	36

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT NO. 2

School District Officials

June 30, 2024

SCHOOL OFFICIALS

Todd Allmaras
Mike Schaefer
Lisa Longnecker
Eric Perleberg
Leann Drake
Kyle Alfstad
Dave Skogen

President
Vice President
Board Member
Board Member
Board Member
Board Member
Business Manager

STATE AUDITOR
Joshua C. Gallion



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INDEPENDENT AUDITOR'S REPORT

School Board of Directors
New Rockford-Sheyenne Public School District No. 2
New Rockford, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New Rockford-Sheyenne Public School District No. 2, North Dakota, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise New Rockford-Sheyenne Public School District No. 2's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of New Rockford-Sheyenne Public School District No. 2, North Dakota, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of New Rockford-Sheyenne Public School District No. 2 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

Change in Accounting Principle

As discussed in Notes 1 to the financial statements, New Rockford-Sheyenne Public School District adopted new accounting guidance GASB Statement No. 100, Accounting Changes and Error Corrections. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, New Rockford-Sheyenne Public School District adopted a new capital asset depreciation policy. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about New Rockford-Sheyenne Public School District No. 2'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 our 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 New Rockford-Sheyenne Public School District No. 2'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 New Rockford-Sheyenne Public School District No. 2's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2025, on our consideration of New Rockford-Sheyenne Public School District No. 2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of New Rockford-Sheyenne Public School District No. 2's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New Rockford-Sheyenne Public School District No. 2's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
September 17, 2025

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT NO. 2

Statement of Net Position

June 30, 2024

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 1,180,513
Due from County	2,867
Prepaid Expenses	33,207
Intergovernmental Receivables	156,543
Taxes Receivable	109,805
Capital Assets	
Nondepreciable	43,185
Depreciable, Net	<u>4,689,247</u>
Total Assets	<u>\$ 6,215,367</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Derived from Pension & OPEB	<u>\$ 908,109</u>
 LIABILITIES	
Accounts Payable	\$ 3,061
Salaries and Benefits Payable	120,848
Interest Payable	8,020
Long-Term Liabilities	
Due Within One Year	
Long Term Debt	150,620
Compensated Absences Payable	3,728
Due After One Year	
Long Term Debt	2,206,781
Compensated Absences Payable	33,547
Net Pension & OPEB Liability	<u>3,822,128</u>
Total Liabilities	<u>\$ 6,348,733</u>
 DEFERRED INFLOWS OF RESOURCES	
Derived from Pension & OPEB	<u>\$ 1,018,193</u>
 NET POSITION	
Net Investment in Capital Assets	\$ 2,375,031
Restricted for	
Capital Projects	520,193
Debt Service	86,449
Food Service	954
Student Activity	65,552
Unrestricted	<u>(3,291,629)</u>
Total Net Position	<u><u>\$ (243,450)</u></u>

The notes to the financial statements are an integral part of this statement.

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT NO. 2

Statement of Activities

For the Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Regular Instruction	\$ 2,240,040	\$ -	\$ 12,368	\$ -	\$ (2,227,672)
Federal Programs	351,016	-	363,045	-	12,029
Vocational Education	184,721	-	10,753	-	(173,968)
District Wide	514,140	-	-	-	(514,140)
Administration	719,339	-	-	-	(719,339)
Special Education	596,385	-	2,200	-	(594,185)
Operations and Maintenance of Plant	200,592	10,920	-	-	(189,672)
Student Activities	172,259	156,399	-	-	(15,860)
Transportation	18,275	-	144,685	-	126,410
School Food Service	305,567	126,342	123,865	-	(55,360)
Other Programs & Services	322,652	-	-	-	(322,652)
Co-Cirricular Activities	1,455	-	-	-	(1,455)
Interest and Fees on Long-Term Debt	60,750	-	-	-	(60,750)
Total Governmental Activities	\$ 5,687,191	\$ 293,661	\$ 656,916	\$ -	\$ (4,736,614)
General Revenues					
Property Taxes					\$ 1,720,218
State Grants - Unrestricted					2,919,825
Interest Earnings					12,050
Gain on Disposal of Capital Asset					7,452
Miscellaneous Revenue					53,752
Total General Revenues					\$ 4,713,297
Changes in Net Position					\$ (23,317)
Net Position - July 1					\$ (21,082)
Prior Period Adjustment					\$ (199,051)
Net Position - July 1, as restated					\$ (220,133)
Net Position - June 30					\$ (243,450)

The notes to the financial statements are an integral part of this statement.

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT NO. 2

Balance Sheet – Governmental Funds

June 30, 2024

	General	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash & Cash Equivalents	\$ 554,439	\$ 510,130	\$ 115,944	\$ 1,180,513
Due from County Funds	2,408	195	264	2,867
Due from Other Funds	12,098	-	34,140	46,238
Prepaid Expenses	33,207	-	-	33,207
Intergovernmental Receivables	156,543	-	-	156,543
Taxes Receivable	83,934	11,068	14,803	109,805
Total Assets	<u>\$ 842,629</u>	<u>\$ 521,393</u>	<u>\$ 165,151</u>	<u>\$ 1,529,173</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts Payable & Other Payables	\$ 1,861	\$ 1,200	\$ -	\$ 3,061
Salaries and Benefits Payable	120,750	-	98	120,848
Due to Other Funds	34,140	-	12,098	46,238
Total Liabilities	<u>\$ 156,751</u>	<u>\$ 1,200</u>	<u>\$ 12,196</u>	<u>\$ 170,147</u>
Deferred Inflows of Resources				
Taxes Receivable	<u>\$ 83,934</u>	<u>\$ 11,068</u>	<u>\$ 14,803</u>	<u>\$ 109,805</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 240,685</u>	<u>\$ 12,268</u>	<u>\$ 26,999</u>	<u>\$ 279,952</u>
Fund Balances				
Restricted				
Capital Projects	\$ -	\$ 509,125	\$ -	\$ 509,125
Food Service	-	-	954	954
Debt Service	-	-	71,646	71,646
Assigned				
Student Activity	-	-	65,552	65,552
Unassigned	601,944	-	-	601,944
Total Fund Balances	<u>\$ 601,944</u>	<u>\$ 509,125</u>	<u>\$ 138,152</u>	<u>\$ 1,249,221</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 842,629</u>	<u>\$ 521,393</u>	<u>\$ 165,151</u>	<u>\$ 1,529,173</u>

The notes to the financial statements are an integral part of this statement.

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT NO. 2

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

June 30, 2024

Total Fund Balances for Governmental Funds		\$	1,249,221
Total net position reported for governmental 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.			4,732,432
Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenues in the funds.			109,805
Deferred outflows and inflows of resources related to pensions & OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.			
Deferred Outflows Related to Pensions & OPEB	\$	908,109	
Deferred Inflows Related to Pensions & OPEB		<u>(1,018,193)</u>	(110,084)
Long-term liabilities applicable to the school 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.			
Long Term Debt	\$	(2,357,401)	
Interest Payable		(8,020)	
Compensated Absences Payable		(37,275)	
Net Pension & OPEB Liability		<u>(3,822,128)</u>	<u>(6,224,824)</u>
Total Net Position of Governmental Activities			<u>\$</u> <u>(243,450)</u>

The notes to the financial statements are an integral part of this statement.

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT NO. 2

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended June 30, 2024

	General	Building Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local Sources	\$ 1,345,682	\$ 170,602	\$ 511,805	\$ 2,028,089
State Sources	3,089,831	-	-	3,089,831
Federal Sources	363,045	-	123,865	486,910
Other Local Sources	51,359	-	-	51,359
Total Revenues	\$ 4,849,917	\$ 170,602	\$ 635,670	\$ 5,656,189
EXPENDITURES				
Current				
Regular Instruction	\$ 2,153,087	\$ -	\$ -	\$ 2,153,087
Federal Programs	335,683	-	-	335,683
Vocational Education	184,283	-	-	184,283
District Wide	410,283	107,555	-	517,838
Administration	705,437	-	-	705,437
Special Education	581,123	-	-	581,123
Operations and Maintenance of Plant	207,908	-	-	207,908
Student Activities	-	-	172,259	172,259
Transportation	93,597	-	-	93,597
School Food Service	-	-	296,697	296,697
Other Programs & Services	321,442	-	-	321,442
Debt Service				
Principal	-	-	142,101	142,101
Interest	-	-	52,776	52,776
Total Expenditures	\$ 4,992,843	\$ 107,555	\$ 663,833	\$ 5,764,231
Excess (Deficiency) of Revenues Over Expenditures	\$ (142,926)	\$ 63,047	\$ (28,163)	\$ (108,042)
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	\$ 7,452	\$ -	\$ -	\$ 7,452
Total Other Financing Sources and Uses	\$ 7,452	\$ -	\$ -	\$ 7,452
Net Change in Fund Balances	\$ (135,474)	\$ 63,047	\$ (28,163)	\$ (100,590)
Fund Balances - July 1	\$ 737,418	\$ 446,078	\$ 166,315	\$ 1,349,811
Fund Balances - June 30	\$ 601,944	\$ 509,125	\$ 138,152	\$ 1,249,221

The notes to the financial statements are an integral part of this statement.

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT NO. 2

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2024

Net Change in <i>Fund Balances</i> - Total Governmental Funds	\$ (100,590)
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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 cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year.

Current Year Capital Outlay	\$ 132,074	
Current Year Depreciation Expense	<u>(179,969)</u>	(47,895)

In the statement of activities, the loss or gain on sale or disposal of capital assets is recognized. The fund financial statements do not recognize losses on disposal of capital assets.

Gain on Disposal of Capital Assets	7,452	
Proceeds from Sale of Capital Assets	<u>(7,452)</u>	-

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The issuance of long-term debt provides current financial resources to governmental funds, however, the debt principal issued increases liabilities in the statement of net position. This is the amount of debt repayment.

142,101

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Change in Compensated Absences Payable	\$ (11,109)	
Net Change in Interest Payable	<u>(7,974)</u>	(19,083)

The net pension & OPEB liability, and related deferred outflows of resources and deferred inflows of resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are noreported in the funds.

Net Change in Net Pension & OPEB Liability	\$ 571,859	
Net Change in Deferred Outflows of Resources	(388,811)	
Net Change in Deferred Inflows of Resources	<u>(181,131)</u>	1,917

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the increase in taxes receivable.

233

Change in Net Position of Governmental Activities

\$ (23,317)

The notes to the financial statements are an integral part of this statement.

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT NO. 2

Notes to the Financial Statements
For the Year Ended June 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of New Rockford-Sheyenne Public School District No. 2 ("School District") have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity

The accompanying financial statements present the activities of the School District. The School District has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationships with the School District are such that exclusion would cause its financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the School District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the School District.

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

Basis of Presentation

Government-wide statements. The statement of net position and the statement of activities display information about the 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, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the School 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, interest, and non-restricted grants and contributions, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the School District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The School District reports the following major governmental funds:

General Fund - This is the School District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Building Fund - This fund accounts for financial resources dedicated to the construction of new school buildings, additions to old school buildings, the making of major repairs to existing buildings, or to make annual debt service payments on outstanding debt issues related to the building fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT NO. 2

Notes to the Financial Statements – Continued

levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

All revenues are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Revenue items are considered to be measurable and available only when cash is received by the government.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and money market accounts.

Capital Assets

Capital assets include property, plant, and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School 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 the assets life 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 of the School District are depreciated using the straight-line method over the following estimated useful lives (in years):

Asset	Years
Buildings	50-100
Land	Indefinite
Equipment	5-15
Vehicles	5-15

Compensated Absences

Compensated absences consist of annual leave which is compensated at termination of employment at the employee's daily pay rate. The liability for the portion of compensated absences related to annual leave is reported in the government-wide statement of net position.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as assets and amortized over the term of the related debt.

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. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs are reported as debt service expenditures.

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT NO. 2

Notes to the Financial Statements – Continued

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (“NDPERS”) and the North Dakota Teachers’ Fund for Retirement (“TFFR”) and additions to/deductions from NDPERS’s and TFFR’s fiduciary net positions have been determined on the same basis as they are reported by NDPERS and TFFR. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits (OPEB)

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

Fund Balances

Fund Balance Spending Policy. It is the School District’s policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Restricted Fund Balances. Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Assigned Fund Balances. Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by the Business Manager.

Unassigned Fund Balances. Includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The School District uses *restricted* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the School District would first use *assigned and then unassigned amounts* of unrestricted fund balance when expenditures are made.

The School District does not have a formal minimum fund balance policy.

Net Position

Net investment in capital assets is reported for capital assets less accumulated depreciation and any related debt issued to finance/construct them. The resources needed to repay this related debt must be provided from other sources, since capital assets are not used to liquidate these liabilities. These assets are not available for future spending.

Restrictions of net position are due to restricted tax levies and bond indenture requirements for our capital projects/debt service.

Unrestricted net position is primarily unrestricted amounts related to the general fund, and negative net position. Unrestricted net position is available to meet the district’s ongoing obligations.

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

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT NO. 2

Notes to the Financial Statements – Continued

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.

In the government-wide financial statements, interfund transactions have been eliminated.

Change in Accounting Principle

The School District implemented GASB Statement No. 100, Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62, during the year ended June 30, 2024. GASB Statement No. 100 enhances the accounting and financial reporting requirements for accounting changes and error corrections. See Note 2 for the resulting effects of this adoption.

NOTE 2 PRIOR PERIOD ADJUSTMENTS

Change in Accounting Principle in Previously Issued Financial Statements

Net Position of the School District as of July 1, 2023 has been restated for adjustments to capital assets, other assets, and lease payables. Capital Assets have been restated as the School District updated their capital asset policy to depreciate assets on an annual basis instead of monthly. This method is preferable as it better aligns with the needs of the School District. The beginning net position of the District was also adjusted to remove the Right of Use Asset and Lease Payable Liability due a change in the application of GASB 87. The results of these adjustments decreased the beginning net position of the District as shown in the table below:

Governmental Activities	Amounts
Beginning Net Position, as previously reported	\$ (21,082)
Adjustment to restate the July 1, 2023 Net Position:	
Capital Asset	(199,108)
Right of Use Asset	(27,601)
Lease Payable	27,658
Net Position July 1, 2023, as restated	<u>\$ (220,133)</u>

NOTE 3 DEPOSITS

Custodial Credit Risk

Credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution's failure, the School District would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The School District does not have a formal policy regarding deposits that limits the amount they may invest in any one issuer.

In accordance with North Dakota statutes, deposits must either be deposited with the Bank of North Dakota or in other financial institution 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, 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 any other state of the United States or such other securities approved by the

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT NO. 2

Notes to the Financial Statements – Continued

banking board.

At year ended June 30, 2024, the School District's carrying amount of deposits totaled \$1,180,339 and the bank balances totaled \$1,270,738. Of the bank balances, \$589,207 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

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. The tax levy may be paid in two installments: the first installment includes one-half of the real estate taxes and all the special assessments; 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 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 year ended June 30, 2024:

Governmental Activities	Restated Balance July 1	Increases	Decreases	Transfers	Balance June 30
Capital Assets Not Being Depreciated					
Land	\$ 6,000	\$ 3,860	\$ -	\$ -	\$ 9,860
Construction in Progress	-	33,326	-	-	33,325
Total Capital Assets, Not Being Depreciated	\$ 6,000	\$ 37,186	\$ -	\$ -	\$ 43,185
Capital Assets Being Depreciated					
Buildings	\$ 7,099,412	\$ -	\$ -	\$ -	\$ 7,099,412
Equipment	662,970	35,620	-	-	698,590
Vehicles	220,259	59,268	70,000	-	209,527
Total Capital Assets, Being Depreciated	\$ 7,982,641	\$ 94,888	\$ 70,000	\$ -	\$ 8,007,529
Less Accumulated Depreciation					
Buildings	\$ 2,503,193	\$ 132,732	\$ -	\$ -	\$ 2,635,925
Equipment	543,689	30,327	-	-	574,016
Vehicles	161,431	16,912	70,000	-	108,343
Total Accumulated Depreciation	\$ 3,208,313	\$ 179,969	\$ 70,000	\$ -	\$ 3,318,284
Total Capital Assets Being Depreciated, Net	\$ 4,774,328	\$ (85,081)	\$ -	\$ -	\$ 4,689,247
Governmental Activities Capital Assets, Net	\$ 4,780,328	\$ (47,895)	\$ -	\$ -	\$ 4,732,432

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

Primary Government	Amounts
Transportation	\$ 16,912
Regular Instruction	81,202
Operations & Maintenance	20,268
Co-Curricular	9,050
Administration	13,729
Federal Programs	15,001
Special Education	15,262
Food Service	8,545
Total Depreciation Expense	\$ 179,969

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT NO. 2

Notes to the Financial Statements – Continued

NOTE 6 LONG-TERM LIABILITIES

During the year ended June 30, 2024, the following changes occurred in governmental activities long-term liabilities:

	Restated Balance July 1	Increases	Decreases	Balance June 30	Due Within One Year
Long Term Debt					
Bonds Payable	\$ 2,499,502	\$ -	\$ 142,101	\$ 2,357,401	\$ 150,620
Total Long Term Debt	\$ 2,499,502	\$ -	\$ 142,101	\$ 2,357,401	\$ 150,620
Compensated Absences	\$ 26,166	\$ 38,363	\$ 27,254	\$ 37,275	\$ 3,727
Net Pension & OPEB Liability *	4,393,987	-	571,859	3,822,128	-
Total Governmental Activities	\$ 6,919,655	\$ 38,363	\$ 741,214	\$ 6,216,804	\$ 154,347

* The change in Net Pension & OPEB Liability is shown as a net change.

Debt service requirements on long-term debt is as follows:

Governmental Activities		
Year Ending June 30	Bonds Payable	
	Principal	Interest
2025	\$ 150,620	\$ 48,120
2026	153,632	45,107
2027	156,705	42,035
2028	159,839	38,901
2029	163,036	35,704
2030-2034	865,414	128,285
2035-2039	708,155	36,510
Total	\$ 2,357,401	\$ 374,662

NOTE 7 PENSION PLAN**General Information about the Pension Plan****North Dakota Teachers' Fund for Retirement TFFR**

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT NO. 2

Notes to the Financial Statements – Continued

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

Member and Employer Contributions

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

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

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

At June 30, 2024, the School District reported a liability of \$3,206,891 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district's proportion of the net pension liability was based on the district's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2023, the district's proportion was .228523%, a decrease of .0083665%.

For the year ended June 30, 2024, the district recognized pension expense of \$207,835. At June 30, 2024, the district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 11,949	\$ 170,222
Changes of Assumptions	50,745	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	195,729	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	24,740	257,733
District Contributions Subsequent to the Measurement Date	201,589	-
Total	\$ 484,752	\$ 427,955

\$201,589 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows.

2025	\$ (25,827)
2026	(87,274)
2027	142,874
2028	(52,931)
2029	(52,635)
Thereafter	(68,999)

Actuarial Assumptions

The total pension liability in the July 1, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary Increases	Composed of 3.80% wage inflations, plus step rate promotional increases for members with less than 30 years of service
Investment Rate of Return	7.25%, net of investment expenses, including inflation
Cost-of-Living Adjustment	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, 2023, 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, 2023, is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	55%	6.2%
Global Fixed Income	26%	3.0%
Global Real Assets	18%	4.4%
Cash Equivalents	1%	0.9%

Discount Rate

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at rates equal to those based on the July 1, 2023, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, TFFR's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members as of July 1, 2023. Therefore, the long-term expected rate of return on TFFR investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2023.

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT NO. 2

Notes to the Financial Statements – Continued

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.

The following presents the net pension liability of the TFFR employers calculated using the discount rate of 7.25% as of June 30, 2023, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
School District's Proportionate Share of the Net Pension Liability	\$ 4,464,895	\$ 3,206,891	\$ 2,162,955

Pension Plan Fiduciary Net Position

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

General Information about the Pension Plan**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 eleven members. The Governor is responsible for appointing three other members in addition to the Chairman of the Board. Four members are appointed by legislative management, and the remaining three Board members are elected from active employees currently contributing to PERS.

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.

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, 2024, the School District reported a liability of \$599,494 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2023, the School District's proportion was .03109 percent, which was a decrease of .000869 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the School District recognized pension expense of \$28,606. At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT NO. 2

Notes to the Financial Statements – Continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 19,515	\$ 3,306
Changes of Assumptions	330,568	455,031
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	15,730	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	13,138	122,229
District Contributions Subsequent to the Measurement Date	36,234	-
Total	\$ 415,185	\$ 580,566

\$36,234 was reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2025	\$ (34,553)
2026	(112,427)
2027	(18,322)
2028	(36,212)

Actuarial Assumptions

The total pension liability in the July 1, 2023 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	6.50%, net of investment expenses
Cost-of-Living Adjustment	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	31%	6.25%
International Equity	20%	6.95%
Private Equity	7%	9.45%
Domestic Fixed Income	23%	2.51%
International Fixed Income	0%	0.00%
Global Real Assets	19%	4.33%
Cash Equivalents	0%	0.00%

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT NO. 2

Notes to the 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 3.86%; and the resulting Single Discount Rate is 6.50%.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
School District's Proportionate Share of the Net Pension Liability	\$ 826,558	\$ 599,494	\$ 411,126

Pension Plan Fiduciary Net Position

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

NOTE 8 OTHER POST EMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

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

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT NO. 2

Notes to the Financial Statements – Continued

General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

OPEB Benefits

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

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

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

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

At June 30, 2024, the School District reported a liability of \$15,743 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2023, the School District's proportion was 0.015747 percent, which was a decrease of 0.004506 percent from its proportion measured as of June 30, 2022.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 295	\$ (180)
Changes of Assumptions	3,358	(1,304)
Net Difference Between Projected and Actual Investment		
Earnings on OPEB Plan Investments	1,137	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	1,754	(8,188)
Employer Contributions Subsequent to the Measurement Date	1,628	-
Total	\$ 8,172	\$ (9,672)

\$1,628 was reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT NO. 2

Notes to the Financial Statements – Continued

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

2025	\$ (870)
2026	(1,214)
2027	(273)
2028	(771)

Actuarial Assumptions

The total OPEB liability in the July 1, 2023 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 or 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%	6.10%
Small Cap Domestic Equities	6%	7.10%
Domestic Fixed Income	35%	2.59%
International Equities	26%	6.50%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.75%. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the Plans as of June 30, 2023, calculated using the discount rate of 5.75%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT NO. 2

Notes to the Financial Statements – Continued

	1% Decrease (4.75%)	Current Discount Rate (5.75%)	1% Increase (6.75%)
School District's Proportionate Share of the Net OPEB Liability	\$ 20,690	\$ 15,743	\$ 11,578

NOTE 9 RISK MANAGEMENT

The School 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, the state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The School District pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$80,956 for public asset coverage.

The School 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 two million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the District with blanket fidelity bond coverage in the amount of \$1,494,838 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The School District has worker's compensation with the Department of Workforce Safety and Insurance. The School District pays part of the health insurance premiums for their employees.

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

NOTE 10 NORTH DAKOTA COMMUNITY FOUNDATION

The District entered into a school fund agreement with the North Dakota Community Foundation to establish the New Rockford-Sheyenne School Fund in February 2023. The assets of the fund are under the exclusive and legal control of the Foundation and are separate from the District and not deemed a component unit. The Foundation, through its board of directors, has the authority to implement any changes and act as necessary to accomplish the purpose of the Fund and any funds or property given to the Foundation may be held, invested, or converted and reinvested by the Foundation as determined by the Foundation's Board of Directors.

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT NO. 2

Budgetary Comparison Schedule - General Fund

June 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local Sources	\$ 1,420,081	\$ 1,420,081	\$ 1,345,682	\$ (74,399)
State Sources	3,358,189	3,358,189	3,089,831	(268,358)
Federal Sources	272,770	272,770	363,045	90,275
Other Sources	8,000	8,000	51,359	43,359
Total Revenues	\$ 5,059,040	\$ 5,059,040	\$ 4,849,917	\$ (209,123)
EXPENDITURES				
Current				
Regular Instruction	\$ 2,179,857	\$ 2,179,857	\$ 2,153,087	\$ 26,770
Special Education	540,000	540,000	581,123	(41,123)
Vocational Education	197,464	197,464	184,283	13,181
Federal Programs	342,863	342,863	335,683	7,180
District Wide Services	348,618	348,618	410,283	(61,665)
Administration	801,739	801,739	705,437	96,302
Operations and Maintenance	148,714	148,714	207,908	(59,194)
Transportation	133,284	133,284	93,597	39,687
Other Programs & Services	578,353	578,353	321,442	256,911
Food Service	15,000	15,000	-	15,000
Total Expenditures	\$ 5,285,892	\$ 5,285,892	\$ 4,992,843	\$ 293,049
Excess (Deficiency) of Revenues Over Expenditures	\$ (226,852)	\$ (226,852)	\$ (142,926)	\$ 83,926
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	\$ -	\$ -	\$ 7,452	\$ 7,452
Total Other Financing Sources	\$ -	\$ -	\$ 7,452	\$ 7,452
Net Changes in Fund Balances	\$ (226,852)	\$ (226,852)	\$ (135,474)	\$ 91,378
Fund Balances - July 1	\$ 737,418	\$ 737,418	\$ 737,418	\$ -
Fund Balances - June 30	\$ 510,566	\$ 510,566	\$ 601,944	\$ 91,378

The accompanying required supplementary information notes are an integral part of this schedule.

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT NO. 2

Schedule of Employer's Share of Net Pension Liability and Employer Contributions
For the Year Ended June 30, 2024

**Schedule of Employer's Share of Net Pension Liability
North Dakota Teachers Fund for Retirement
Last 10 Fiscal Years**

	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	0.228523%	\$ 3,206,891	\$ 1,833,696	174.89%	69.34%
2023	0.236895%	3,449,237	1,864,113	185.03%	67.50%
2022	0.240804%	2,537,241	1,855,873	136.71%	75.70%
2021	0.249775%	3,822,813	1,822,509	209.76%	63.40%
2020	0.256492%	3,532,541	1,799,363	196.32%	65.50%
2019	0.254729%	3,395,192	1,731,675	196.06%	65.50%
2018	0.244661%	3,360,484	1,651,393	203.49%	63.20%
2017	0.262623%	3,847,575	1,706,324	225.49%	59.20%
2016	0.281218%	3,677,924	1,729,783	212.62%	62.10%
2015	0.280654%	2,940,756	1,627,943	180.64%	66.60%

**Schedule of Employer Contributions
North Dakota Teachers Fund for Retirement
Last 10 Fiscal Years**

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2024	\$ 218,746	\$ 218,745	\$ -	\$ 1,715,652	12.75%
2023	237,674	237,674	-	1,864,113	12.75%
2022	236,624	236,624	-	1,855,873	12.75%
2021	232,372	232,372	-	1,822,509	12.75%
2020	229,419	229,419	-	1,799,363	12.75%
2019	220,788	220,788	-	1,731,675	12.75%
2018	210,553	210,553	-	1,651,393	12.75%
2017	217,556	217,556	-	1,706,324	12.75%
2016	220,537	220,537	-	1,729,783	12.75%
2015	175,002	175,002	-	1,627,943	10.75%

The accompanying required supplementary information notes are an integral part of this schedule.

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2**Schedule of Employer's Share of Net Pension Liability and Employer Contributions - Continued**

**Schedule of Employer's Share of Net Pension Liability
North Dakota Public Employees Retirement System
Last 10 Fiscal Years**

	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	0.031090%	\$ 599,494	\$ 380,189	157.68%	65.31%
2023	0.031959%	920,440	370,091	248.71%	54.50%
2022	0.042414%	442,081	480,297	92.04%	79.10%
2021	0.041321%	1,299,968	455,816	285.20%	49.40%
2020	0.040351%	472,943	419,714	112.68%	72.50%
2019	0.031333%	528,779	321,885	164.28%	63.70%
2018	0.028330%	45,356	289,203	15.68%	62.00%
2017	0.028818%	280,860	290,417	96.71%	71.10%
2016	0.025913%	176,205	230,856	76.33%	77.70%
2015	0.028681%	182,044	241,608	75.35%	78.20%

**Schedule of Employer Contributions
North Dakota Public Employees Retirement System
Last 10 Fiscal Years**

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2024	\$ 33,859	\$ 36,234	\$ (2,374)	\$ 429,632	8.43%
2023	27,942	28,798	(856)	370,991	7.76%
2022	35,419	35,753	(334)	480,297	7.44%
2021	32,276	25,004	7,272	45,816	54.57%
2020	30,558	21,576	8,982	419,714	5.14%
2019	23,709	22,726	983	321,885	7.06%
2018	20,971	21,642	(671)	289,203	7.48%
2017	21,026	19,247	1,779	290,417	6.63%
2016	17,535	17,734	(199)	230,856	7.68%
2015	17,202	17,202	34,404	241,608	7.12%

The accompanying required supplementary information notes are an integral part of this schedule.

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT NO. 2

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions

For the Year Ended June 30, 2024

**Schedule of Employer's Share of Net OPEB Liability
North Dakota Public Employees Retirement System
Last 10 Fiscal Years**

	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2024	0.015747%	\$ 15,743	\$ 158,285	9.95%	62.74%
2023	0.020253%	24,310	209,095	11.63%	56.28%
2022	0.028428%	15,811	309,935	5.10%	76.63%
2021	0.037045%	31,162	422,302	7.38%	63.38%
2020	0.037614%	30,211	419,714	7.20%	63.13%
2019	0.029417%	23,168	321,885	7.20%	61.89%
2018	0.026732%	21,145	289,203	7.31%	59.78%

**Schedule of Employer Contributions
North Dakota Public Employees Retirement System
Last 10 Fiscal Years**

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2024	1,628	1,628	0	142,818	1.14%
2023	2,545	2,600	(55)	209,095	1.24%
2022	3,727	4,452	(725)	309,935	1.44%
2021	4,961	3,992	969	422,302	0.95%
2020	4,881	3,454	1,427	419,714	0.82%
2019	3,776	3,639	137	321,885	1.13%
2018	3,632	3,465	167	289,203	1.20%

The accompanying required supplementary information notes are an integral part of this schedule.

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT NO. 2

Notes to the Required Supplementary Information
For the Year Ended June 30, 2024

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The School District adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States for the general fund.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- The annual budget must be prepared, and school district taxes must be levied on or before the tenth day of August of each year.
- The governing body of the school district may amend its tax levy and budget on or before the tenth day of October of each year, but the certification must be filed with the county auditor within the time limitations as outlined in NDCC section 57-15-31.1.
- Taxes for school district purposes must be based upon an itemized budget statement which must show the complete expenditure program of the district for the current fiscal year and the sources of the revenue from which it is to be financed.
- The operating budget includes proposed expenditures and means of financing them.
- The school board of each public school district, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the district and to provide a sinking fund to pay and discharge the principal thereof at maturity.
- No taxing district may certify any taxes or amend its current budget and no county auditor may accept a certification of taxes or amended budget after the tenth day of October of each year if such certification or amendment results in a change in the amount of tax levied.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.

NOTE 2: CHANGES OF BENEFIT TERMS – PENSION AND OPEB

Pension

In 2023, House Bill 1040 was passed, which closes the Main System to employees newly enrolled into the system on January 1, 2025 and later. The state employer contribution for 2026 and later was changed to be the amount sufficient to fund the Main System on actuarial basis, with the amortization of the unfunded liability determined on a level percent of payroll basis over a closed period beginning on January 1, 2026 and ending June 30, 2056.

OPEB

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

NOTE 3: CHANGES OF ASSUMPTIONS

North Dakota Teachers Fund for Retirement

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

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

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

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

Pension

All actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020. There have been no changes in actuarial assumptions since the previous actuarial valuation as of July 1, 2022.

OPEB

All actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020. There have been no changes in actuarial assumptions since the previous actuarial valuation as of July 1, 2022.

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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*

Independent Auditor's Report

School Board of Directors
New Rockford-Sheyenne Public School District No. 2
New Rockford, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New Rockford-Sheyenne Public School District No. 2 as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise New Rockford-Sheyenne Public School District No. 2's basic financial statements, and have issued our report thereon dated September 17, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered New Rockford-Sheyenne Public School District No. 2'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 New Rockford-Sheyenne Public School District No. 2's internal control. Accordingly, we do not express an opinion on the effectiveness of New Rockford-Sheyenne Public School District No. 2's internal control.

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. However, as described in the accompanying *schedule of audit findings*, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying *schedule of audit findings* as items 2024-001 and 2024-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying *schedule of audit findings* as item 2024-003 to be a significant deficiency.

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2

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* - Continued

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Rockford-Sheyenne Public School District No. 2's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

New Rockford-Sheyenne Public School District No. 2's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on New Rockford-Sheyenne Public School District No. 2's response to the findings identified in our audit and described in the accompanying *schedule of audit findings*. New Rockford-Sheyenne Public School District No. 2'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
September 17, 2025

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT NO. 2
Summary of Auditor's Results
For the Year Ended June 30, 2024

Financial Statements

Type of Report Issued:	
Governmental Activities	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting

Material weaknesses identified?	<u> X </u> Yes	<u> </u> None Noted
Significant deficiencies identified not considered to be material weaknesses?	<u> X </u> Yes	<u> </u> None Noted
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> None Noted

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT NO. 2

Schedule of Audit Findings

For the Year Ended June 30, 2024

2024-001 – LACK OF SEGREGATION OF DUTIES – MATERIAL WEAKNESS

Condition

New Rockford Sheyenne PSD has limited personnel responsible for most accounting functions. A lack of segregation of duties exists as limited personnel are responsible to collect and deposit monies, issue checks, send checks to vendors, record receipts disbursement in journals, maintain the general ledger, create credit memos, and perform bank reconciliations.

Effect

The lack of segregation of duties increases the risk of material misstatement to the New Rockford Sheyenne PSD financial condition, whether due to error or fraud.

Cause

Management has chosen to allocate economic resources to other functions of the New Rockford Sheyenne PSD.

Criteria

According to the COSO framework, 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. The segregation of duties would provide better control over the assets of the district.

Repeat Finding

Yes.

Recommendation

To mitigate the risk associated with this lack of segregation of duties, we recommend the following:

- Financial statements, credit memos, and payroll registers should be reviewed, analyzed, and spot-checked by a responsible official.
- Where possible, segregate the functions of approval, posting, custody of assets, and reconciliation as they relate to any amounts which impact the financial statements.

Client's Response

We Agree. New Rockford-Sheyenne PSD will segregate duties when it becomes feasible.

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT NO. 2

Schedule of Audit Findings and Questioned Costs - Continued

2024-002 – MATERIAL AUDIT ADJUSTMENTS – MATERIAL WEAKNESS

Condition

During the audit of New Rockford-Sheyenne Public School District we proposed material adjusting entries to the financial statements in accordance with generally accepted accounting principles (GAAP). The adjustments were approved by management and are reflected in the financial statements.

Effect

There is an increased risk of material misstatement to the New Rockford-Sheyenne Public School District's financial statements.

Cause

New Rockford-Sheyenne Public School District may not have procedures in place to ensure the financial statements are complete and accurate.

Criteria

New Rockford-Sheyenne Public School District is responsible for the preparation of its financial statements and related note disclosures to ensure it is reliable, accurate, free of material misstatement, and in accordance with GAAP.

Repeat Finding

Yes.

Recommendation

We recommend New Rockford-Sheyenne Public School District review its procedures for the preparation of the financial statements to ensure the financial statements are complete and accurate in accordance with GAAP.

Client's Response

We Agree. New Rockford-Sheyenne PSD will review the adjustments needed for presentation in the financial statements.

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT NO. 2

Schedule of Audit Findings and Questioned Costs - Continued

2024-003 – IMPROPER PAYMENTS – SIGNIFICANT DEFICIENCY

Condition

New Rockford Sheyenne PSD has an agreement with the North Dakota Community Foundation (NDCF), a 501(c)(3) organization, to administer the New Rockford Sheyenne School Fund (Fund), a non-endowment fund. On February 20, 2023, the Fund entered a \$139,440 contract with Pace Fundraising LLC to render fundraising services. During August 2023 through April 2024, the School District paid \$46,935 directly to Pace Fundraising LLC even though the School District was not a party in the contract. The School District was reimbursed by the Fund in June of 2024.

Effect

The School District may not have been reimbursed for the payments made to Pace Fundraising LLC as the School District does not have legal control over the funds held at the NDCF.

Cause

The School District did not have proper procedures in place to ensure all payments made by the School District were for expenditures incurred by the School District even if they are going to get reimbursed by another entity.

Criteria

Per the agreement between the School District and NDCF, any assets in the Fund are under exclusive and legal control of the NDCF.

Additionally, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to expenditures, management is responsible for adequate internal controls surrounding the making of proper payments.

Repeat Finding

No.

Recommendation

We recommend that the School District implement procedures to ensure that no payments are made by the School District are for School District activities.

Client's Response

We Agree. During our previous Audit this process was discussed, and a change in process was made to pay out all second gym project expenses directly from the foundation fund. All expenses during fiscal year '24 were paid directly from the fund to entity requesting payment. This will be the process moving forward as the project continues.



Office of the
State Auditor

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