

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER  
GRAFTON, NORTH DAKOTA**

AUDITED BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

## TABLE OF CONTENTS

	Page
<b>ROSTER OF SCHOOL OFFICIALS - UNAUDITED</b>	<b>1</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>2</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>5</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Position	11
Statement of Activities	12
Balance Sheet - Governmental Funds	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Fiduciary Net Position	17
Statement of Changes in Fiduciary Net Position	18
Notes to the Basic Financial Statements	19
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule for the General Fund	45
Schedule of Center's Contributions to the TFFR and NDPERS Pension Plans	46
Schedule of Center's Contributions to the NDPERS OPEB Plan	47
Schedule of Center's Proportionate Share of Net Pension Liability	48
Schedule of Center's Proportionate Share of Net OPEB Liability	49
Notes to the Required Supplementary Information	50
<b>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</b>	<b>52</b>

<b>INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE</b>	<b>54</b>
Schedule of Expenditures of Federal Awards	58
Notes to the Schedule of Expenditures of Federal Awards	59
Schedule of Findings and Questioned Costs	60
Summary Schedule of Prior Year Findings	64
Corrective Action Plan	66

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**ROSTER OF SCHOOL OFFICIALS - UNAUDITED**  
**JUNE 30, 2024**

Brad Brummond	President
Maggie Suda	Vice-Chairperson
Jared Peterka	Board Member
Tom Fagerholt	Board Member
Jessica Hermanson	Board Member
Michael Hanson	Director
Lisa Tucker	Business Manager

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
North Valley Area Career and Technology Center  
Grafton, North Dakota

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of North Valley Area Career and Technology Center, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of North Valley Area Career and Technology Center, 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 Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules, and notes as listed in the table of contents as required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial

statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

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

### ***Other Information***

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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2025 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.



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

February 5, 2025

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2024**

The discussion and analysis of North Valley Area Career and Technology Center's financial performance provides an overall review of the Center's financial activities for the year ended June 30, 2024. The intent of this discussion and analysis is to look at the Center's financial performance as a whole. Readers should also review the basic financial statements and related notes to enhance their understanding of the Center's financial performance.

**Financial Highlights**

Key financial highlights for 2024 are as follows:

- Net position of the Center decreased by \$448,082 as a result of the current year's operations.
- Governmental net position totaled \$(492,226).
- Total revenues were \$8,397,685 compared to \$4,788,615 for the prior year.
- Total expenses were \$8,845,767 compared to \$4,655,226 for the prior year.
- The Center's general fund had \$8,397,685 in total revenues and \$8,790,999 in expenditures. Overall, the general fund balance decreased by \$393,314 for the year ended June 30, 2024.

**Using this Annual Report**

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

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

**Reporting the School Center as a Whole**

**Statement of Net Position and the Statement of Activities**

The view of the Center as a whole looks at all financial transactions and asks the question, "How did the Center do financially during the year ended June 30, 2024?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting similar to the accounting used by most private sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

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



**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2024**

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

**Reporting the School Center's Most Significant Funds**

**Fund Financial Statements**

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

**Governmental Funds**

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

**Financial Analysis of the Center as a Whole**

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

Table 1 provides a summary of the Center's net position as of June 30, 2024 and 2023.

As indicated in the financial highlights, the Center's net position was \$(492,226). Net position may serve over time as a useful indicator of the Center's financial position.

The Center's net position of \$(492,226) is segregated into three separate categories. Net position invested in Capital Assets (net of related debt) represents \$566,850 of the Center's net position. It should be noted that these assets are not available for future spending. Restricted net position represents \$62,311 of the Center's net position. Unrestricted net position represents \$(1,121,387) of the Center's net position. The unrestricted net position is available to meet the Center's ongoing obligations.

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2024**

Table 1

	<u>2024</u>	<u>2023</u>
Assets		
Current Assets	\$ 3,229,266	\$ 2,657,521
Capital Assets (Net of Accumulated Depreciation)	<u>566,850</u>	<u>518,049</u>
Total Assets	<u>3,796,116</u>	<u>3,175,570</u>
Deferred Outflows of Resources	<u>902,227</u>	<u>975,683</u>
Liabilities		
Current Liabilities	2,696,940	1,731,882
Non-Current Liabilities	<u>2,090,042</u>	<u>2,172,915</u>
Total Liabilities	<u>4,786,982</u>	<u>3,904,797</u>
Deferred Inflows of Resources	<u>403,587</u>	<u>290,600</u>
Net Position		
Net Investment in Capital Assets	566,850	518,049
Restricted for Student Activities	62,311	72,658
Unrestricted	<u>(1,121,387)</u>	<u>(634,851)</u>
Total Net Position	<u>\$ (492,226)</u>	<u>\$ (44,144)</u>

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2024**

Table 2 shows the changes in net position for the fiscal years ended June 30, 2024 and 2023:

Table 2

	<u>2024</u>	<u>2023</u>
Revenues		
Charges for Services	\$ 1,121,069	\$ 1,273,491
Operating Grants and Contributions	2,092,385	2,024,433
Capital Grants and Contributions	5,097,181	1,421,922
Interest Income	36,929	14,872
Gain on Sale of Capital Assets	-	14,492
Other	50,121	39,405
Total Revenues	<u>8,397,685</u>	<u>4,788,615</u>
Expenditures		
Instructional Support Services	2,599,955	2,720,753
Administration	216,984	215,839
Director	142,812	145,925
Operations and Maintenance	5,886,016	1,572,709
Total Expenditures	<u>8,845,767</u>	<u>4,655,226</u>
Change in Net Position	<u>(448,082)</u>	<u>133,389</u>
Net Position - Beginning	<u>(44,144)</u>	<u>(177,533)</u>
Net Position - Ending	<u><u>\$ (492,226)</u></u>	<u><u>\$ (44,144)</u></u>

Charges for services made up 13%, operating grants 25%, and capital grants 61% of the total revenues of governmental activities of the Center for fiscal year 2024.

Instructional Support Services comprised 29%, Administration 2%, Director 2%, and Operations and Maintenance made up 67% of Center expenses.

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2024**

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

Table 3

	Total Cost for Year Ended 6/30/2024	Net Cost for Year Ended 6/30/2024	Total Cost for Year Ended 6/30/2023	Net Cost for Year Ended 6/30/2023
Instruction	\$ 2,599,955	\$ 613,499	\$ 2,720,753	\$ 577,171
Administration	216,984	(216,984)	215,839	(215,839)
Director	142,812	(142,812)	145,925	(145,925)
Operations and Maintenance	5,886,016	(788,835)	1,572,709	(150,787)
Total Expenses	<u>\$ 8,845,767</u>	<u>\$ (535,132)</u>	<u>\$ 4,655,226</u>	<u>\$ 64,620</u>

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

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

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

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

### **Financial Analysis of the Center's Governmental Funds**

The focus of the Center's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unassigned fund balance generally may be used as a measure of the Center's net resources available for spending at the end of the fiscal year. These funds are accounted for by using the modified accrual basis of accounting. The Center's governmental funds had total revenues of \$8,397,685 and expenditures of \$8,790,999 for the year ended June 30, 2024. As of June 30, 2024, the unassigned fund balance of the Center's general fund was \$469,414.

### **Budget Highlights**

During the course of the 2024 fiscal year, the Center received \$468,204 more revenues and incurred \$948,136 more expenditures than budgeted. This is primarily the result of more local and Federal income received during the year as well as more capital projects expenditures incurred than anticipated during the budgeting process.

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2024**

**Capital Assets**

As of June 30, 2024, the Center had \$566,850 invested in capital assets, net of accumulated depreciation. Table 4 shows balances as of June 30, 2024 and 2023 (see Note 4 for details).

Table 4

	2024	2023
Buildings	\$ 2,947	\$ 6,161
Equipment	334,253	353,438
Vehicles	229,650	158,450
Total	<u>\$ 566,850</u>	<u>\$ 518,049</u>

**Debt Administration**

As of June 30, 2024, the Center had no outstanding debt.

**For the Future**

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

**Contacting the Center's Financial Management**

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

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2024**

	<u>2024</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 1,934,814
Investments	38,312
Intergovernmental Receivable	1,205,826
Accounts Receivable	49,714
Prepaid Expense	600
Total Current Assets	<u>3,229,266</u>
Non-Current Assets:	
Buildings	92,078
Equipment	1,182,965
Vehicles	282,063
Less Accumulated Depreciation	<u>(990,256)</u>
Total Non-Current Assets	<u>566,850</u>
<b>TOTAL ASSETS</b>	<u><b>3,796,116</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Cost Sharing Defined Benefit Pension Plan - TFFR	585,005
Cost Sharing Defined Benefit Pension Plan - NDPERS	306,494
Cost Sharing Defined Benefit OPEB Plan - NDPERS	<u>10,728</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u><b>902,227</b></u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	2,596,685
Accrued Liabilities	<u>100,255</u>
Total Current Liabilities	<u>2,696,940</u>
Long-Term Liabilities:	
Compensated Absences	7,350
Net OPEB Liability	19,077
Net Pension Liability	<u>2,063,615</u>
Total Non-Current Liabilities	<u>2,090,042</u>
<b>TOTAL LIABILITIES</b>	<u><b>4,786,982</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Cost Sharing Defined Benefit Pension Plan - TFFR	95,708
Cost Sharing Defined Benefit Pension Plan - NDPERS	304,908
Cost Sharing Defined Benefit OPEB Plan - NDPERS	<u>2,971</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u><b>403,587</b></u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	566,850
Restricted for Student Activities	62,311
Unrestricted	<u>(1,121,387)</u>
<b>TOTAL NET POSITION</b>	<u><u><b>\$ (492,226)</b></u></u>

See Notes to the Basic Financial Statements

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**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	
<b>GOVERNMENTAL ACTIVITIES</b>					
Instructional Support Services	\$ 2,599,955	\$ 1,121,069	\$ 2,092,385	\$ -	\$ 613,499
Administration	216,984	-	-	-	(216,984)
Director	142,812	-	-	-	(142,812)
Operations and Maintenance	5,886,016	-	-	5,097,181	(788,835)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 8,845,767</b>	<b>\$ 1,121,069</b>	<b>\$ 2,092,385</b>	<b>\$ 5,097,181</b>	<b>(535,132)</b>
<b>GENERAL REVENUES</b>					
Interest Income					36,929
Other General Revenues					50,121
<b>TOTAL GENERAL REVENUES</b>					<b>87,050</b>
Change in Net Position					(448,082)
Net Position - Beginning					(44,144)
Net Position - Ending					<b>\$ (492,226)</b>

See Notes to the Basic Financial Statements

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**JUNE 30, 2024**

	General Fund
ASSETS	
Cash	\$ 1,934,814
Investments	38,312
Intergovernmental Receivables	1,205,826
Accounts Receivable	49,714
Prepaid Items	600
	<hr/>
TOTAL ASSETS	\$ 3,229,266
	<hr/>
LIABILITIES	
Accounts Payable	\$ 2,596,685
Accrued Liabilities	100,255
	<hr/>
TOTAL LIABILITIES	2,696,940
	<hr/>
FUND BALANCES	
Nonspendable	600
Restricted for Student Activities	62,311
Unassigned	469,414
	<hr/>
TOTAL FUND BALANCES	532,325
	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,229,266
	<hr/>

See Notes to the Basic Financial Statements



**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO**  
**THE STATEMENT OF NET POSITION**  
**JUNE 30, 2024**

Total fund balances - governmental funds		\$ 532,325
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in government funds:		
Cost of capital assets	\$ 1,557,106	
Less: accumulated depreciation	<u>(990,256)</u>	
Net		566,850
Net deferred outflows/(inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows/(inflows) of resources in the governmental funds.		
		498,640
Long-term liabilities are not due and payable in the current period and therefore are not recorded as liabilities in the governmental funds.		
Compensated Absences		(7,350)
Net OPEB Liability		(19,077)
Net Pension Liability		<u>(2,063,614)</u>
Net Position - Governmental Activities		<u><u>\$ (492,226)</u></u>

See Notes to the Basic Financial Statements

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

	General Fund
REVENUES	
Local Sources	\$ 1,208,119
Revenue from State Sources	1,090,862
Revenue from Federal Sources	6,098,704
TOTAL REVENUES	<u>8,397,685</u>
EXPENDITURES	
Current:	
Community Services Adult Education	172,647
Improvement of Instruction	24,466
School Board	28,504
Director	142,812
Administrative Assistant	188,480
Operation & Maintenance of Plant	154,583
Carl Perkins - Admin	3,270
Agriculture	321,664
Marketing	86,628
Health Careers	84,819
Consumer & Homemaking	9,186
Modern Business Technology	51,161
Auto Technology	127,724
Machining	53
Welding	114,370
Construction Trades	102,196
WBI	50,643
W/P Technology Cooperative	12,082
Vocational Guidance	279,791
Instructional Staff Training	122,342
Emerging Technology	18,504
Title IV - 21st Century	794,990
Student Activities	65,430
After School	51,665
Title I	18,408
Other Federal Programs	33,148
Capital Outlay	<u>5,731,433</u>
TOTAL EXPENDITURES	<u>8,790,999</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(393,314)</u>
Net Change in Fund Balances	(393,314)
Fund Balance - Beginning of Year	<u>925,639</u>
Fund Balance - End of Year	<u><u>\$ 532,325</u></u>

See Notes to the Basic Financial Statements

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2024**

Total net change in fund balances - Governmental Funds	\$ (393,314)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the useful lives as depreciation expense.

Capital Outlays	\$ 149,579
Depreciation Expense	<u>(100,778)</u>

Excess of capital outlay over depreciation expense	48,801
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Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These items consisted of the (increase)/decrease in:

Compensated Absences	450
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Changes in deferred outflows and inflows of resources related to net pension liability	(186,443)
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Change in OPEB liability	841
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Change in net pension liability	<u>81,583</u>
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Change in net position - Governmental Activities	<u><u>\$ (448,082)</u></u>
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See Notes to the Basic Financial Statements

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2024**

	<u>Custodial Funds</u>
ASSETS	
Cash	\$ 331,357
Investments	250,000
Accounts Receivable	<u>11,000</u>
TOTAL ASSETS	<u>\$ 592,357</u>
LIABILITIES	
Accounts Payable	\$ 239
Accrued Liabilities for Red River Valley Education Coop	<u>4,348</u>
TOTAL LIABILITIES	<u>4,587</u>
NET POSITION	
Restricted for Red River Valley Education Coop	538,681
Restricted for ITV	<u>49,089</u>
TOTAL NET POSITION	<u>587,770</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 592,357</u>

See Notes to the Basic Financial Statements

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2024**

	<u>Custodial Funds</u>
ADDITIONS	
Local Sources	\$ 166,070
State Sources	<u>451,100</u>
TOTAL ADDITIONS	<u>617,170</u>
DEDUCTIONS	
Current:	
Improvement of Instruction	300,205
Director	<u>168,284</u>
TOTAL DEDUCTIONS	<u>468,489</u>
Excess (Deficiency) of Revenues over Expenditures	<u>148,681</u>
Net Change in Net Position	148,681
Net Position - Beginning of Year	<u>439,089</u>
Net Position - End of Year	<u><u>\$ 587,770</u></u>

See Notes to the Basic Financial Statements

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 1 DESCRIPTION OF THE SCHOOL CENTER AND REPORTING ENTITY**

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

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

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

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Center's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The Center's significant accounting policies are described below.

***Basis of Presentation***

The Center's basic financial statements consist of government-wide statements and fund financial statements.

**Government-Wide Financial Statements**

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements display information about the Center as a whole.

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

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

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2024**

The Government-wide financial statements do not include fiduciary funds of component units that are fiduciary in nature.

**Fund Financial Statements**

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

***Fund Accounting***

The Center's funds consist of the following:

**Governmental Funds**

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

**General Fund:**

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

**Fiduciary Funds:**

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

**Red River Valley Education Coop:**

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

**ITV Fund:**

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

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2024**

***Measurement Focus and Basis of Accounting***

**Measurement Focus**

*Government-wide Financial Statements:*

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

*Fund Financial Statements:*

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

The current financial resources measurement focus differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Due to the difference, the Center's financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds.

**Basis of Accounting**

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

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

The Center's governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Center considers revenues to be available if they are collected within 60 days of the end of its fiscal year. Expenditures are generally recorded as the related fund liability is incurred.

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

**Revenues - Exchange and Non-Exchange Transactions**

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



**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2024**

Non-exchange transactions include transactions in which the Center receives value without directly providing value in return. Non-exchange transactions include property taxes, grants, entitlements, and donations.

Under the accrual basis of accounting, property taxes are recorded as revenue in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recorded in the fiscal year in which all eligibility requirements have been satisfied. Under the modified accrual basis of accounting, revenue from non-exchange transactions must also be available before it is recorded in the financial records of the Center.

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

### **Unearned Revenues**

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

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

### **Expenses and Expenditures**

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

### **Budgets and Budgetary Accounting**

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

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

1. The administration prepares the Center's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.
2. The Board reviews the budget, may make revisions, and adopts the final budget at the September board meeting to ensure it is adopted before the tenth of October each year. The budget is then filed with the county auditor by October tenth of each year.

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2024**

3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10 of each year. The budget amounts shown in the financial statements are the final authorized amounts.
4. All appropriations lapse at the close of the Center's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

The General fund expenditures were \$948,136 more than budgeted at June 30, 2024.

### **Cash and Cash Equivalents**

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

### **Investments**

Investments consist of certificates of deposit with an original maturity greater than three months and are recorded at cost. North Dakota State Statute authorizes school Centers to invest their surplus funds in: a) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the Treasury of the United States, or its agencies, instrumentality's, or organizations created by an act of Congress, b) Securities sold under agreements to repurchase, written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above, c) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation of the state, d) Obligations of the state.

### **Fair Value Measurements**

The Center accounts for all assets and liabilities that are being measured and reported on a fair value basis in accordance with GAAP. GAAP defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements. When fair value measurements are required, various data is used in determining those values. This statement requires that assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2024**

**Capital Assets**

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported as assets in the fund financial statements. All capital assets are recorded at cost (or estimated historical cost). The assets are updated for additions and retirements during the Center's fiscal year. The Center has established a capitalization threshold of \$3,000. Donated fixed assets are recorded at their acquisition values at the date received. The Center does not have any infrastructure assets. Improvements that significantly extend the useful life of the asset are also capitalized.

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

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

**Compensated Absences**

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

**Accrued Liabilities and Long-term Obligations**

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

**Pensions**

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

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

**Other Post-Employment Benefits (OPEB)**

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

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2024**

**Fund Balance Classifications**

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

*Restricted* – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed* – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the school board-the Center's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the school board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* – This classification reflects the amounts constrained by the Center's "intent" to be used for specific purposes, but are neither restricted nor committed. The school board and superintendent have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

*Unassigned* – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the Center's preference is to first use restricted resources, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resource (expense/expenditure) until then. The Center has two items reported on the statement of net position as *cost sharing defined benefit pension plan* and *cost sharing defined benefit OPEB plan*, which represents actuarial differences within the NDPERS and TFFR pension plans and NDPERS OPEB plan as well as amounts paid to the plans after the measurement date.

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2024**

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Center has two items reported on the statement of net position as *cost sharing defined benefit pension plan* and *cost sharing defined benefit OPEB plan*, which represents the actuarial differences within the NDPERS and TFFR pension plans and NDPERS OPEB plan.

**Net Position**

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the Center's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

**Inter-fund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds.

Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Inter-fund activities within the Center's governmental activities and its business-type activities, is eliminated in the statement of activities.

**Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Significant Group Concentrations of Credit Risk**

As of June 30, 2024, the Center's receivables consist of amounts due from other governmental units within the State of North Dakota.

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2024**

**NOTE 3 CASH AND INVESTMENTS**

**Custodial Credit Risk – Deposits**

In accordance with North Dakota laws, the Center maintains deposits at a depository authorized by the School Board. The depository is a member of the Federal Reserve System.

North Dakota laws require that all public deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal at least 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral includes the legal investments described below, as well as certain first mortgage notes, and certain other state or local government obligations. North Dakota laws require that securities pledged as collateral be held in safekeeping by the Center treasurer or in a financial institution other than that furnishing the collateral.

At June 30, 2024, the carrying amount of the Center's deposits, including investments which consist solely of certificates of deposit, was \$2,554,483 and the bank balance was \$3,902,007. The Center's investments consist of CD's. The entire deposit and investment balance were covered by Federal Depository Insurance or by collateral held by the Center's Agent in the Center's name in amounts sufficient to meet North Dakota legal requirements.

**Credit Risk**

The Center may also invest idle funds as authorized by North Dakota laws, as follows:

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

**Interest Rate Risk**

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

**Concentration of Credit Risk**

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

**Custodial Credit Risk - Investments**

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

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2024**

**NOTE 4 CAPITAL ASSETS**

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

	Balance 7/1/2023	Additions	Disposals	Balance 6/30/2024
<b>Governmental Activities:</b>				
Capital Assets Being Depreciated				
Buildings	\$ 92,078	\$ -	\$ -	\$ 92,078
Equipment	1,131,376	51,589	-	1,182,965
Vehicles	184,073	97,990	-	282,063
Total	<u>1,407,527</u>	<u>149,579</u>	<u>-</u>	<u>1,557,106</u>
Less Accumulated Depreciation				
Buildings	85,917	3,214	-	89,131
Equipment	777,938	70,774	-	848,712
Vehicles	25,623	26,790	-	52,413
Total	<u>889,478</u>	<u>100,778</u>	<u>-</u>	<u>990,256</u>
Net Capital Assets Being Depreciated	<u>518,049</u>	<u>48,801</u>	<u>-</u>	<u>566,850</u>
Net Capital Assets for Governmental Activities	<u>\$ 518,049</u>	<u>\$ 48,801</u>	<u>\$ -</u>	<u>\$ 566,850</u>

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

Regular Instruction	\$ 78,823
Operations & Maintenance	18,741
Transportation	3,214
Total	<u>\$ 100,778</u>

**NOTE 5 LONG-TERM LIABILITIES**

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

	Balance 7/1/2023	Additions	Retirements	Balance 6/30/2024	Due in One Year
Compensated Absences	\$ 7,800	\$ -	\$ 450	\$ 7,350	\$ -
Net OPEB Liability	19,918	6,759	7,600	19,077	-
Net Pension Liability	<u>2,145,198</u>	<u>790,497</u>	<u>872,080</u>	<u>2,063,615</u>	<u>-</u>
Total	<u>\$ 2,172,916</u>	<u>\$ 797,256</u>	<u>\$ 880,130</u>	<u>\$ 2,090,042</u>	<u>\$ -</u>

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



**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2024**

**NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE**

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

Disclosures relating to these plans follow:

**North Dakota Teacher's Fund For Retirement**

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

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

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

**Pension Benefits**

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

*Tier 1 Grandfathered*

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

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



**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2024**

*Tier 1 Non-grandfathered*

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

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

*Tier 2*

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

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

**Death and Disability Benefits**

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

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

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2024**

**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 Center reported a liability of \$1,679,835 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2023, the Employer's proportion was 0.119705 percent, which was an increase of 0.00009044 from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the Employer recognized pension expense of \$213,116. At June 30, 2024, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 6,259	\$ 89,166
Changes in actuarial assumptions	26,581	-
Difference between projected and actual investment earnings	102,527	-
Changes in proportion	316,893	6,542
Contributions paid to TFFR subsequent to the measurement date	132,745	-
Total	<u>\$ 585,005</u>	<u>\$ 95,708</u>

\$132,745 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025.

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2024**

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

Year ending June 30:	Pension Expense Amount
2025	\$ 60,962
2026	44,855
2027	166,319
2028	30,459
2029	30,612
Thereafter	23,345

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

For active and inactive members, mortality rates were based on the PubT-2010 Employee table, projected with generational improvement using Scale MP-2019. For healthy retirees, mortality rates were based on 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019. For disability retirees, mortality rates were based on the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019. The actuarial assumptions used were based on the results of an actuarial experience study dated March 19, 2020. They are the same as the assumptions used in the July 1, 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.

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2024**

The long-term expected rate of return on TFFR investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the TFFR target asset allocation as of July 1, 2023 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global Equities	55.00%	6.20%
Global Fixed Income	26.00%	3.00%
Global Real Assets	18.00%	4.40%
Cash Equivalents	1.00%	0.90%

### **Discount Rate**

The discount rate used to measure the total pension liability was 7.25 percent as of June 30, 2023. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 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, the TFFR fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 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.

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

The following presents the net pension liability of the TFFR employers calculated using the discount rate of 7.25 percent as of June 30, 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease in Discount Rate 6.25%	Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
Center's proportionate share of the TFFR net pension liability:	\$ 2,338,803	\$ 1,679,835	\$ 1,133,000

### **Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report. TFFR's Comprehensive Annual Financial Report (CAFR) is located at:

<https://www.rio.nd.gov/sites/www/files/documents/PDFs/RIO/Reports/annualreport2022.pdf>.

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2024**

**North Dakota Public Employees' Retirement System**

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

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

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

**Pension Benefits**

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020, the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service. The Main Plan will be closed to new employees with the passage of House Bill 1040. The effective date is dependent upon NDPERS implementing the changes to set up a new defined contribution (DC) plan. If the DC plan is set up by December 31, 2023, then the effective date of the Main Plan closure will be January 1, 2024. If the changes cannot be accomplished by then, the effective date will be January 1, 2025.

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

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2024**

**Death and Disability Benefits**

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

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

**Refunds of Member Account Balance**

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

**Member and Employer Contributions**

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

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

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2024**

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

At June 30, 2024, the Center reported a liability of \$383,780 for its proportionate share of the 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 Center's proportion of the net pension liability was based on the Center's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2023, the Center's proportion was 0.019903 percent which was an increase of 0.00001363 from its proportion measured July 1, 2022.

For the year ended June 30, 2024, the Center recognized pension expense of \$42,051. At June 30, 2024, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 12,493	\$ 2,117
Changes in actuarial assumptions	211,621	291,299
Difference between projected and actual investment earnings	10,070	-
Changes in proportion	51,679	11,492
Contributions paid to NDPERS subsequent to the measurement date	20,631	-
Total	<u>\$ 306,494</u>	<u>\$ 304,908</u>

\$20,631 reported as deferred outflows of resources related to pensions resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025.

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

Year ending June 30:	Pension Expense Amount
2025	\$ 10,967
2026	(26,170)
2027	15,430
2028	(19,272)

**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	3.5% to 17.75% including inflation
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustments	None



**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2024**

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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equity	30.90%	6.25%
International Equity	20.01%	6.95%
Private Equity	7.00%	9.45%
Domestic Fixed Income	23.00%	2.51%
Global Real Assets	19.00%	4.33%

#### **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 6.5%.



**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2024**

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

The following presents the Center's proportionate share of the net pension liability calculated using the discount rate of 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 in Discount Rate 5.50%	Discount Rate 6.50%	1% Increase in Discount Rate 7.50%
Center's proportionate share of the NDPERS net pension liability:	\$ 529,141	\$ 383,780	\$ 263,192

**Pension Plan Fiduciary Net Position**

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

**NOTE 7 DEFINED BENEFIT OPEB PLAN**

**Defined Benefit OPEB Plan**

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

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

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

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2024**

**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 Center reported a liability of \$19,077 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 Center's proportion of the net OPEB liability was based on the Center's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2023, the Center's proportion was 0.0191 percent which was an increase of 0.0000250 from its proportion measured as of June 30, 2022.

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2024**

For the year ended June 30, 2024, the Center recognized OPEB expense of \$3,888. At June 30, 2024, the Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 359	\$ 218
Changes of assumptions	4,069	1,580
Net difference between projected and actual earnings on OPEB plan investments	1,378	-
Changes in proportion and differences between employer contributions and proportionate share of contribution	2,636	1,173
Center contributions subsequent to the measurement date	2,286	-
Total	<u>\$ 10,728</u>	<u>\$ 2,971</u>

\$2,286 reported as deferred outflows of resources related to OPEB resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025.

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

Year Ending June 30:	<u>OPEB Expense Amount</u>
2025	\$ 1,701
2026	1,660
2027	2,449
2028	(339)

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

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

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2024**

rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2020 scale.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2023 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
S&P 500 Index	33%	5.50%
US Small Cap Equity	6%	7.65%
World Equity ex-US	26%	6.82%
US High Yield	3%	5.32%
Emerging Markets Debt	4%	6.25%
Core Fixed Income	28%	4.04%

### **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:

	1% Decrease in Discount Rate 4.75%	Discount Rate 5.75%	1% Increase in Discount Rate 6.75%
Center's proportionate share of the net OPEB liability	\$ 25,072	\$ 19,077	\$ 14,030

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2024**

**Pension Plan Fiduciary Net Position**

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

**NOTE 8 RISK MANAGEMENT**

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

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

The Center also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Center pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the Center with blanket fidelity bond coverage in the amount of \$1,730,137 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

**NOTE 9 CONTINGENT LIABILITIES**

The Center participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Center has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2024, may be impaired. In the opinion of the Center, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2024**

**NOTE 10 FINANCIAL OBLIGATIONS**

The Center has a purchase agreement for a building and pays for maintenance and custodial services on an annual basis from the Grafton Public School District. During the year ended June 30, 2024, the Center paid payments totaling \$83,000 to the School. The rent for the 2024-2025 school year has been set at \$40,000. The lease agreement calls for the District to insure the building and for North Valley Career and Technical Center to pay for any structural repairs or improvements. The Center pays all other operating costs including utilities and insurance on contents.

The Center has a purchase agreement for a classroom on an annual basis from the Park River Public School District. During the year ended June 30, 2024, the Center paid payments totaling \$3,361 to the School. The rent for the 2024-2025 school year has been set at \$3,361.

The Center has a purchase agreement for a classroom on an annual basis from the Minto Public School District. During the year ended June 30, 2024, the Center paid payments totaling \$1,595 to the School. The rent for the 2024-2025 school year has been set at \$1,595.

The Center has a purchase agreement for a classroom on an annual basis from the Drayton Public School District. During the year ended June 30, 2024, the Center paid payments totaling \$1,218 to the School. The rent for the 2024-2025 school year has been set at \$1,218.

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2024**

**NOTE 11 NEW PRONOUNCEMENTS**

GASB Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences through aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The statement is effective for fiscal years beginning after December 15, 2023.

GASB Statement No. 102, *Certain Risk Disclosures*, requires entities to disclose critical information about their exposure to risks due to certain concentrations or limitations that could lead to financial distress or operational challenges. This statement is effective for fiscal years beginning after June 15, 2024.

GASB Statement No. 103, *Financial Reporting Model Improvements*, revises the requirements for management's discussion and analysis with the goal of making it more readable and understandable, requires unusual or infrequent items to be presented separately, defines operating and nonoperating revenues, includes a new section for noncapital subsidies for proprietary funds' statement of revenues, expenses and changes in net position, removes the option to disclose major component information in the notes and requires them to be shown individually or in combine financial statements following the fund financial statements and requires budgetary comparisons to be presented as RSI with new columns for variances between original-to-final budget and final budget-to-actual results. This statement is effective for fiscal years beginning after June 15, 2025.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note. These items include disclosing separately lease assets, intangible right-to-use assets, subscription assets and intangible assets. In addition, additional disclosures will be required for capital assets held for sale. This statement is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

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

**NOTE 12 SUBSEQUENT EVENTS**

No significant events occurred subsequent to the Center's year end. Subsequent events have been evaluated through February 5, 2025, which is the date these financial statements were available to be issued.

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2024**

	Original & Final Budget Amount	Actual	Over (Under) Final Budget
<b>REVENUES</b>			
Local Sources	\$ 892,134	\$ 1,208,119	\$ 315,985
Revenue from State Sources	1,147,681	1,090,862	(56,819)
Revenue from Federal Sources	5,889,666	6,098,704	209,038
<b>TOTAL REVENUES</b>	<b>7,929,481</b>	<b>8,397,685</b>	<b>468,204</b>
<b>EXPENDITURES</b>			
Current:			
Community Services Adult Education	117,051	172,647	55,596
Improvement of Instruction	18,356	24,466	6,110
School Board	34,000	28,504	(5,496)
Director	191,529	142,812	(48,717)
Administrative Assistant	261,926	188,480	(73,446)
Operation & Maintenance of Plant	170,725	154,583	(16,142)
Carl Perkins - Admin	8,953	3,270	(5,683)
Agriculture	277,673	321,664	43,991
Marketing	85,175	86,628	1,453
Health Careers	86,765	84,819	(1,946)
Consumer & Homemaking	9,186	9,186	-
Modern Business Technology	54,267	51,161	(3,106)
Auto Technology	124,171	127,724	3,553
Machining	-	53	53
Welding	104,813	114,370	9,557
Construction Trades	93,966	102,196	8,230
WBI	50,000.00	50,643	643
W/P Technology Cooperative	15,000	12,082	(2,918)
Vocational Guidance	256,348	279,791	23,443
Instructional Staff Training	69,866	122,342	52,476
Emerging Technology	55,000	18,504	(36,496)
Title IV - 21st Century	866,168	794,990	(71,178)
Student Activities	-	65,430	65,430
After School	79,799	51,665	(28,134)
Title I	20,000	18,408	(1,592)
Other Federal Programs	33,149	33,148	(1)
Capital Outlay	4,758,977	5,731,433	972,456
<b>TOTAL EXPENDITURES</b>	<b>7,842,863</b>	<b>8,790,999</b>	<b>948,136</b>
Excess (Deficiency) of Revenues over Expenditures	86,618	(393,314)	(479,932)
Net Change in Fund Balances	86,618	(393,314)	(479,932)
Fund Balance - Beginning of Year	925,639	925,639	-
Fund Balance - End of Year	\$ 1,012,257	\$ 532,325	\$ (479,932)

See Notes to the Required Supplementary Information



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

**Teachers Fund for Retirement**

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Center's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2024	\$ 132,745	\$ (132,745)	\$ -	\$ 1,041,137	12.75%
2023	122,480	122,480	-	960,627	12.75%
2022	111,028	111,028	-	870,809	12.75%
2021	102,570	102,570	-	804,468	12.75%
2020	90,329	90,329	-	708,466	12.75%
2019	74,626	74,626	-	585,301	12.75%
2018	71,943	71,943	-	564,266	12.75%
2017	74,811	74,811	-	586,754	12.75%
2016	66,522	66,522	-	531,762	12.51%
2015	63,171	63,171	-	587,647	10.75%

**North Dakota Public Employees Retirement System**

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Center's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2024	\$ 20,631	\$ (20,631)	\$ -	\$ 260,780	7.91%
2023	17,917	(17,917)	-	243,386	7.36%
2022	15,822	(15,822)	-	215,198	7.35%
2021	14,366	(14,366)	-	196,607	7.31%
2020	11,741	(11,741)	-	163,290	7.19%
2019	14,499	(14,499)	-	203,641	7.12%
2018	14,048	(14,048)	-	197,306	7.12%
2017	13,035	(13,035)	-	186,217	7.00%
2016	11,854	(10,003)	1,851	156,054	6.41%
2015	8,643	(8,643)	-	121,394	7.12%

See Notes to the Required Supplementary Information

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

**North Dakota Public Employees Retirement System – OPEB**

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Center's Covered - Employee Payroll	Contributions as a Percentage of Covered - Employee Payroll
2024	\$ 2,286	\$ (2,286)	-	\$ 260,780	0.88%
2023	2,187	(2,187)	-	243,386	0.90%
2022	1,953	(1,953)	-	215,198	0.91%
2021	1,874	(1,874)	-	196,607	0.95%
2020	1,747	(1,747)	-	203,641	0.86%
2019	2,322	(2,322)	-	189,700	1.22%
2018	2,249	(2,249)	-	197,306	1.14%

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

See Notes to the Required Supplementary Information

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

**Teachers Fund for Retirement**

For the Fiscal Year Ended June 30	Center's Proportion of the Net Pension Liability (Asset)	Center's Proportionate Share of the Net Pension Liability (Asset) (a)	Center's Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	0.119705%	\$ 1,679,835	\$ 960,530	174.89%	69.34%
2023	0.110661%	1,611,290	870,809	185.03%	67.50%
2022	0.104382%	1,099,822	804,469	136.71%	75.70%
2021	0.097095%	1,486,046	708,466	209.76%	63.40%
2020	0.083432%	1,149,073	585,301	196.32%	65.50%
2019	0.083004%	1,106,320	564,266	196.06%	65.50%
2018	0.086618%	1,189,724	584,649	203.49%	63.20%
2017	0.078961%	1,156,820	513,027	225.49%	59.20%
2016	0.084825%	1,109,388	531,762	208.62%	62.10%
2015	0.101309%	1,061,539	587,647	180.64%	66.60%

**North Dakota Public Employees Retirement System**

For the Fiscal Year Ended June 30	Center's Proportion of the Net Pension Liability (Asset)	Center's Proportionate Share of the Net Pension Liability (Asset) (a)	Center's Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	0.019903%	\$ 383,780	\$ 243,386	157.68%	65.31%
2023	0.018540%	533,907	196,607	271.56%	54.47%
2022	0.017362%	180,964	196,607	92.04%	78.26%
2021	0.014747%	463,944	162,676	285.20%	48.91%
2020	0.019577%	229,457	203,638	112.68%	71.66%
2019	0.018466%	311,634	189,700	164.28%	63.53%
2018	0.018241%	293,193	186,217	157.45%	61.98%
2017	0.017900%	174,443	180,382	96.71%	70.46%
2016	0.017899%	119,113	156,054	76.33%	77.15%
2015	0.014410%	91,463	121,394	75.34%	77.70%

The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability which is June 30 of the previous fiscal year.

See Notes to the Required Supplementary Information

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

**North Dakota Public Employees Retirement System – OPEB**

For the Fiscal Year Ended June 30	Center's proportion of the net OPEB liability (asset)	Center's proportionate share of the net OPEB liability (asset)	Center's covered - employee payroll	Center's proportionate share of the net OPEB liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2024	0.0191%	\$ 19,077	\$ 191,813	9.95%	62.74%
2023	0.0166%	19,918	243,386	8.18%	56.28%
2022	0.0151%	8,383	196,607	4.26%	76.63%
2021	0.0125%	10,501	142,297	7.38%	63.38%
2020	0.0182%	14,657	203,638	7.20%	63.13%
2019	0.0173%	13,654	189,700	7.20%	61.89%
2018	0.0172%	13,616	186,217	7.31%	59.78%

The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability which is June 30 of the previous fiscal year.

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

See Notes to the Required Supplementary Information

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2024**

**NOTE 1 BUDGETARY COMPARISON**

**Budgets and Budgetary Accounting:**

The Center's Board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School Center, annually on or before the last day of July must levy taxes. The governing body of the School Center may amend its budget for the current fiscal year on or before the tenth day of October of each year. During the current year in the General Fund, actual expenditures exceeded budgeted expenditures by \$948,136.

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

1. The administration prepares the Center's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.
2. The Board reviews the budget, may make revisions, and adopts the final budget before October tenth of each year. The budget is then filed with the county auditor by October tenth of each year.
3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10 of each year. The budget amounts shown in the financial statements are the final authorized amounts.
4. All appropriations lapse at the close of the Center's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

**NOTE 2 CHANGES OF BENEFIT TERMS**

**NDPERS**

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 an 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.

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED**  
**JUNE 30, 2024**

**NOTE 3 CHANGES OF ASSUMPTIONS**

**TFFR**

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

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

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

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

**NDPERS**

All 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.

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

To the Board of Education  
North Valley Area Career and Technology Center  
Grafton, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Valley Area Career and Technology Center, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated February 5, 2025.

## **Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-002 that we consider to be significant deficiencies.

## Report on Compliance and Other Matters

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

## The Center's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the Center's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Center's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## Purpose of this Report

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



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

February 5, 2025



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

To the Board of Education  
North Valley Area Career and Technology Center  
Grafton, North Dakota

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited the North Valley Area Career and Technology Center's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on North Valley Area Career and Technology Center's major federal program for the year ended June 30, 2024. North Valley Area Career and Technology Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, North Valley Area Career and Technology Center complied, in all material respects, with the types or compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of North Valley Area Career and Technology Center and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of North Valley Area Career and Technology Center's compliance with the compliance requirements referred to above.

## ***Responsibilities of Management for Compliance***

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

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on North Valley Area Career and Technology Center's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about North Valley Area Career and Technology Center's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding North Valley Area Career and Technology Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of North Valley Area Career and Technology Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of North Valley Area Career and Technology Center's internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2024-003. Our opinion on each major federal program is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on North Valley Area Career and Technology Center's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. North Valley Area Career and Technology Center's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

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

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

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

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

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

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



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

February 5, 2025

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

AL#	DESCRIPTION	GRANT IDENTIFICATION NUMBER	PASS THROUGH GRANTOR'S NUMBER	PASSED THROUGH TO SUBRECIPIENTS	EXPENDITURES
<u>Department of the Treasury</u>					
Passed Through North Dakota Department of Career & Technical Education:					
21.029	COVID-19 Coronavirus Capital Projects		N/A	\$ -	\$ 5,097,181
	Total Department of the Treasury			-	5,097,181
<u>U.S. Department of Education</u>					
Passed Through North Dakota Department of Public Instruction:					
84.010	Title I Grants to Local Educational Agencies		F84010	-	18,408
84.287	21st Century Learning Center Program	S287C210034	F84287	473,720	657,097
84.425U	COVID-19 ESSER		F84425U	-	176,054
84.425D	COVID-19 ESSER		F88425D	-	32,072
	Total 84.425			-	208,126
Passed Through North Dakota Department of Career & Technical Education:					
84.048	Vocational Education - Carl Perkins Grant		N/A	-	117,892
	Total Department of Education			473,720	1,001,523
	TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 473,720	\$ 6,098,704

See Notes to the Schedule of Expenditures of Federal Awards

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 2 - INDIRECT COST RATE**

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

**NOTE 3 - BASIS OF PRESENTATION**

The Schedule includes the federal award activity of North Valley Area Career and Technology Center under programs of the federal government for the year ended June 30, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of North Valley Area Career and Technology Center, it is not intended to and does not present the financial position or changes in net position of the Center.

**NOTE 4 - PASS-THROUGH ENTITIES**

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

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

Financial Statements

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

☐ yes ☒ no

Significant deficiency(ies) identified that are  
not considered to be material weaknesses?

☒ yes ☐ none reported

Non-compliance material to financial  
statements noted?

☐ yes ☒ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

☐ yes ☒ no

Significant deficiency(ies) identified that are  
not considered to be material weaknesses?

☒ yes ☐ none reported

Type of auditor’s report issued on compliance  
for major programs:

Unmodified

Any audit findings disclosed that are  
required to be reported in accordance with  
2 CFR 200.516(a)?

☒ yes ☐ no

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
---------------------	---

21.029	COVID-19 Capital Projects Fund
--------	--------------------------------

Dollar threshold used to distinguish  
between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

☒ yes ☐ no

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2024**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**2024-001**

**Criteria**

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

**Condition**

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

**Cause**

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

**Effect**

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

**Recommendation**

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

**Repeat Finding**

This is a repeat finding of 2023-001.

**Management's Response**

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



**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2024**

**2024-002**

**Criteria**

A proper system of internal control has the proper segregation of duties between authorization, custody, record keeping and reconciliation.

**Condition**

There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keeping and reconciliation.

**Cause**

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

**Effect**

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

**Recommendation**

We recommend the organization review their internal controls over the accounting functions to determine if additional procedures can be implemented that are cost effective. The board should constantly be aware of this condition. Compensating controls that mitigate the related risks could be (or are) provided through appropriate oversight of the performance of these functions and review of the financial reports by individuals with knowledge of current operations and accounting principles.

**Repeat Finding**

See finding 2023-002.

**Management's Response**

The Director reviews and signs off on all the bank reconciliations.

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2024**

**SECTION III – FEDERAL AWARD FINDING AND QUESTIONED COSTS**

**2024-003**

Assistance Listing Number 21.029 COVID-19 Capital Projects  
Department of Treasury  
North Dakota Department of Career and Technical Education  
Procurement and Suspension and Debarment  
2 CFR part 180.220  
2024 Grant Year

**Criteria**

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. "Covered transactions" include goods and services awarded under a non-procurement transaction (e.g grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR part 180.220.

**Condition**

The Center is not currently reviewing parties they are contracting with to ensure they are not suspended or debarred parties. Audit testing of covered transactions did not reveal any suspended or debarred vendors.

**Cause**

The Center does not have written policies or procedures addressing contracting with suspended or debarred parties.

**Effect**

Non-compliance with Suspension & Debarment compliance requirements

**Context**

The Center entered into contracts with six vendors during the year, of which all six were tested.

**Questioned Costs**

Undeterminable.

**Recommendation**

We recommend for the Center to revise their procurement policy to include steps to review parties they are contracting with to ensure they are not included on the Federal suspended or debarred party listing, in accordance with 2 CFR part 180.220.

**Repeat Finding**

New finding

**Management's Response**

The Center will implement suspended and debarred party procedures and monitor vendors to ensure they are not listed on the Federal suspended or debarred party listing.

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

**2023-001**

**Criteria**

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

**Condition**

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

**Cause**

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

**Effect**

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

**Recommendation**

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

**Management's Response**

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

**Corrective Action Taken**

See current year finding 2024-001

**NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER**  
**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2024**

**2023-002**

**Criteria**

A proper system of internal control has the proper segregation of duties between authorization, custody, record keeping and reconciliation.

**Condition**

There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keeping and reconciliation.

**Cause**

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

**Effect**

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

**Recommendation**

We recommend the organization review their internal controls over the accounting functions to determine if additional procedures can be implemented that are cost effective. The board should constantly be aware of this condition. Compensating controls that mitigate the related risks could be (or are) provided through appropriate oversight of the performance of these functions and review of the financial reports by individuals with knowledge of current operations and accounting principles.

**Views of Responsible Officials and Planned Corrective Actions**

The Center agrees with the recommendation and will review on an annual basis.

**Corrective Action Taken**

See current year finding 2024-002



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## CORRECTIVE ACTION PLAN AS OF JUNE 30, 2024

### **2024-001**

#### **Contact Person**

Lisa Tucker

#### **Planned Corrective Action**

The Center will implement when it becomes cost-effective.

#### **Planned Completion Date**

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

### **2024-002**

#### **Contact Person**

Lisa Tucker

#### **Planned Corrective Action**

The Center will implement when it becomes cost-effective.

#### **Planned Completion Date**

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

### **2024-003**

#### **Contact Person**

Lisa Tucker

#### **Planned Corrective Action**

The Center will implement suspended and debarred party procedures and monitor to ensure they are not listed on the Federal suspend or debarred party listing.

#### **Planned Completion Date**

June 30, 2025