

SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Hankinson, North Dakota

AUDITED FINANCIAL STATEMENTS
Year Ended June 30, 2024

SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Hankinson, North Dakota

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SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Hankinson, North Dakota

OFFICIAL DIRECTORY
June 30, 2024

Chris Larson	President
Chad Benson	Vice President
Steven Johnson	Board Member
Justin Fryer	Board Member
Dan Warcken	Board Member
Steve Hall	Board Member
Chris Bastian	Board Member
Phil French	Board Member
Britney Gandhi	Board Member
Jay DeCann	Board Member
Ryan Moser	Board Member
John Porter	Director
Brenna Janke	Business Services



INDEPENDENT AUDITOR'S REPORT

Board of Directors
South Valley Multi-District Special Education Unit
Hankinson, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the South Valley Multi-District Special Education Unit (the "Unit"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Unit's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Unit, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof 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 (GAAS) 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 Unit and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Unit's 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 Unit's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Unit's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 official directory but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2025 on our consideration of the Unit'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 Unit'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 Unit's internal control over financial reporting and compliance.



Nadine Julson, LLC
Wahpeton, North Dakota
May 1, 2025

SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Hankinson, North Dakota

STATEMENT OF NET POSITION
June 30, 2024

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 10,483
Accounts Receivable	115,619
Due from State Government	160,986
Due from Federal Government	311,605
Total Current Assets	598,693

Capital Assets

Depreciable, net of accumulated depreciation	
Vehicles	41,694
Total Capital Assets	41,694
Total Assets	640,387

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pension	192,387
Total Assets and Deferred Outflows of Resources	832,774

LIABILITIES

Current Liabilities

Accounts Payable	162,953
Total Current Liabilities	162,953

Due After One Year

Compensated Absences	36,249
Pension Liability	690,444
Total Long-term Liabilities	726,693

Total Liabilities 889,646

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions	311,455
Total Liabilities and Deferred Inflows of Resources	1,201,101

NET POSITION (DEFICIT)

Net Investment in Capital Assets	41,694
Unrestricted (Deficit)	(410,021)
Total Net Position (Deficit)	\$ (368,327)

See Notes to Financial Statements

SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Hankinson, North Dakota

STATEMENT OF ACTIVITIES
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	Governmental Activities
Special Instruction	\$ 583,387	\$ 864,894	\$ 1,080,394	\$ 1,361,901
Psychological Services	295,424	-	-	(295,424)
Other Student Support Services	94,384	-	-	(94,384)
Governing Board	66,518	-	-	(66,518)
General Administrative Services	359,559	-	-	(359,559)
Student Transportation	131,168	-	48,476	(82,692)
Other Supporting Services	28,338	-	-	(28,338)
Contracted Services	710,101	-	-	(710,101)
	<u>\$ 2,268,879</u>	<u>\$ 864,894</u>	<u>\$ 1,128,870</u>	<u>(275,115)</u>
General Revenues				
State Aid, not restricted for specific purpose				95,271
Interest and Investment Earnings				122
Miscellaneous				40,178
Total General Revenues				<u>135,571</u>
Change in Net Position				(139,544)
Net Position (Deficit), Beginning of Year				<u>(228,783)</u>
Net Position (Deficit), End of Year				<u><u>\$ (368,327)</u></u>

See Notes to Financial Statements

SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Hankinson, North Dakota

BALANCE SHEET – GOVERNMENTAL FUND
June 30, 2024

ASSETS	
Cash and Cash Equivalents	\$ 10,483
Accounts Receivable	115,619
Due from State Government	160,986
Due from Federal Government	311,605
	<hr/>
Total Assets	598,693
LIABILITIES	
Accounts Payable	162,953
	<hr/>
Total Liabilities	162,953
FUND BALANCE	
Unassigned	435,740
	<hr/>
Fund Balance	435,740
	<hr/>
Total Liabilities and Fund Balance	\$ 598,693
	<hr/>

See Notes to Financial Statements

SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Hankinson, North Dakota

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2024

Total Fund Balance - Governmental Fund June 30, 2024		\$	435,740
Total net position reported for government activities in the statement of net position is different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the governmental fund.			
Cost of Capital Assets	221,440		
Less Accumulated Depreciation	(179,746)		
Net Capital Assets			41,694
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental fund, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.			
Compensated Absences	(36,249)		
Pension Liability (net of related outflows and inflows)	(809,512)		
Total Long-term Liabilities			(845,761)
Total Net Position of Governmental Activities June 30, 2024		\$	(368,327)

SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Hankinson, North Dakota

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – GOVERNMENTAL FUND
Year Ended June 30, 2024

REVENUES	
Local Sources	\$ 864,894
State Sources	405,599
Federal Sources	818,542
Interest Income	122
Miscellaneous Income	40,178
	<hr/>
Total Revenues	2,129,335
EXPENDITURES	
Current	
Special Instruction	589,876
Psychological Services	295,424
Other Student Support Services	118,089
Governing Board	66,518
General Administrative Services	356,979
Student Transportation	114,707
Other Supporting Services	28,338
Contracted Services	710,101
	<hr/>
Total Expenditures	2,280,032
	<hr/>
Excess (Deficiency) of Revenues over Expenditures	(150,697)
FUND BALANCE, BEGINNING OF YEAR	586,437
	<hr/>
FUND BALANCE, END OF YEAR	\$ 435,740
	<hr/>

See Notes to Financial Statements

SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Hankinson, North Dakota

RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2024

Net Change in Fund Balances - Total Governmental Fund June 30, 2024		\$	(150,697)
The change in net position reported for governmental activities in the statement of activities is different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets with a cost greater than \$5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.			
			4,664
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.			
Net Increase in Compensated Absences	(17,133)		
Net Decrease in Pension Liability	23,622		
			<u>6,489</u>
Change in Net Position of Governmental Activities June 30, 2024		\$	<u><u>(139,544)</u></u>

SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Hankinson, North Dakota

NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the South Valley Multi-District Special Education Unit, Hankinson, North Dakota (the “Unit”) have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

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

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

B. Basis of Presentation, Basis of Accounting

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

Fund financial statements - The fund financial statements provide reports on the financial condition and results of operations for governmental activities. The Unit considers some governmental funds major and reports their financial condition and results of operations in a separate column.

The Unit reports the following major governmental fund:

General Fund – The General Fund is the Unit 's primary operating fund and accounts for all financial resources.

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

Government-wide - The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Unit gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Government fund financial statements - Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Unit considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual.

SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Notes to Financial Statements – Continued

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Unit funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Unit's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

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

D. Cash

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

E. Capital Assets

Capital assets include vehicles and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Unit as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

<u>Assets</u>	<u>Years</u>
Vehicles	5
Office Equipment	5

F. Leases

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

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

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

G. Vacation Pay, Sick Pay, Severance

The expenditures for vacation pay are recognized when payment is made. Paid sick leave of 15 days per year of service shall be given to each certified or 12-month employee accumulative to 110 days. Payment of \$20 per day will be made for days accumulated in excess of 110 days prior to the present year.

SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Notes to Financial Statements – Continued

The payment will be included with the September payroll of the new contract year and will not exceed 15 days. Non-licensed staff receive paid sick leave equivalent to one work week per year of service, accumulative to three weeks.

Upon termination of employment, the following actions will take place:

- Staff who have a minimum of 15 years of service in the Unit (employment in other units is not considered) will receive \$25 per unused sick day upon retirement up to 110 days.
- Staff who have less than 15 years of service in the Unit (employment in other units are not considered) will receive \$10 per unused sick day upon retirement up to 110 days.
- Staff who change employment from the Unit to employment with a district member school will receive \$10 per unused sick day up to 110 days.
- Staff who leave the Unit for employment with a non-unit member or other organization will receive no compensation for unused sick days.
- Payment will be made on retiree's final payroll.

H. Pension Plans

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 Teachers' Fund for Retirement (TFFR) and additions to/deductions from TFFR's fiduciary net position have been determined on the same basis as they are reported by 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.

I. Fund Balance Classifications

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

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

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

SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Notes to Financial Statements – Continued

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

K. Subscription-Based Information Technology Arrangements (SBITA)

Subscription-Based Information Technology Arrangements (SBITA) are contracts that conveys control of the right to use another party's IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The determination of whether a SBITA asset and liability are to be recorded in the financial statements is made at inception by evaluating the maximum possible term of the SBITA.

A SBITA contract with an initial term of more than 12 months, or that contain an option to extend the contract more than 12 months that is reasonably expected to be exercised by the Unit, are recognized based on the present value of subscription payments over the contract term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the Unit uses its incremental borrowing rate based on the information available at the SBITA contract commencement date. The Unit has made an accounting policy election to use a risk free rate based on US Treasury Tbill rate as of the SBITA contract commencement.

The Unit continues to recognize short-term SBITA subscription payments as outflows of resources (expenditure) based on the payment provision of the SBITA contract. Short-term SBITA contracts have a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised.

NOTE 2 – LEGAL COMPLIANCE - BUDGETS

Expenditures over Appropriations – General fund expenditures exceeded appropriations for the year ended June 30, 2024. Expenditures that exceeded budgeted amounts are due to out of district programming costs that will be corrected in future budgets.

NOTE 3 – DEPOSITS AND INVESTMENTS

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

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

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the State of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board. At year end June 30, 2024, the Unit's carrying amount of deposits were \$10,483 and the bank balance was \$442,591. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining bank balance was collateralized with securities held by pledging financial institution's agent in the government's name.

Credit Risk:

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

- Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by the Treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.

SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Notes to Financial Statements – Continued

- Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation.
- Obligations of the state.

As of June 30, 2024, the Unit held no certificates of deposit.

Interest Rate Risk:

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

Concentration of Credit Risk:

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

NOTE 4 – DUE FROM STATE AND FEDERAL GOVERNMENTS

The amount due from the state and federal government consists of reimbursement claims for various projects.

NOTE 5 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2024:

	Balance July 1, 2023	Additions	Retirements	Balance June 30, 2024
Governmental Activities				
Capital Assets, being depreciated				
Vehicles	\$ 197,735	\$ 23,705	\$ -	\$ 221,440
Total Capital Assets, being depreciated	197,735	23,705	-	221,440
Less Accumulated Depreciation for				
Vehicles	160,705	19,041	-	179,746
Total Accumulated Depreciation	160,705	19,041	-	179,746
Total Capital Assets Being Depreciated, net	37,030	4,664	-	41,694
Governmental Activities Capital Assets, net	<u>\$ 37,030</u>	<u>\$ 4,664</u>	<u>\$ -</u>	<u>\$ 41,694</u>

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

Governmental Activities	
General Administrative Services	\$ 2,580
Student Transportation	16,461
Total Depreciation Expense - Governmental Activities	<u>\$ 19,041</u>

SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Notes to Financial Statements – Continued

NOTE 6 – LONG-TERM LIABILITIES

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

	Long-term Liabilities at July 1, 2023	Increases	Decreases	Long-term Liabilities at June 30, 2024	Due Within One Year
Governmental Activities					
Compensated Absences*	\$ 19,116	\$ 17,133	\$ -	\$ 36,249	\$ -
Pension Liability*	987,011	-	(296,567)	690,444	-
Total - Governmental Activities	<u>\$ 1,006,127</u>	<u>\$ 17,133</u>	<u>\$ (296,567)</u>	<u>\$ 726,693</u>	<u>\$ -</u>

*The change in compensated absences and pension liabilities is shown as a net change because changes in salary prohibit exact calculations of additions and reductions.

NOTE 7 – DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement election, 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. Deferred inflows of resources on the statement of net position consist of related pension expense of \$311,455.

NOTE 8 – DEFERRED OUTFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement election, deferred outflows of resources, represents an consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred outflows of resources on the statement of net position consist of related pension expense of \$192,387.

NOTE 9 – RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Unit pays an annual premium to NDRF for its general liability, auto and public assets insurance coverage. The coverage by NDRF is limited to losses of \$2,000,000 per occurrence for general liability and \$105,817 for public assets coverage.

The State Bonding Fund currently provides political subdivisions with blanket fidelity bond coverage in the amount of \$687,152 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

NOTE 10 – PENSION PLANS

North Dakota Teacher's Fund for Retirement

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-Grandfathered

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

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

SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Notes to Financial Statements – Continued

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

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

At June 30, 2024, the Unit reported a liability of \$690,444 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 calculation as of that date. The Unit's proportion of the net pension liability was based on the Unit's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employees. At June 30, 2023 the Unit's proportion was .049201 percent, which was a decrease of .018585 percent from its proportion measured as of June 30, 2022.

SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Notes to Financial Statements – Continued

For the year ended June 30, 2024, the Unit recognized pension expense of \$26,754. At June 30, 2024, the Unit 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
Difference between expected and actual experience	\$ 2,573	\$ 36,649
Net difference between projected and actual investment earnings on pension investments	42,141	-
Change of assumptions	10,925	-
Change in proportion and differences between employer contributions and proportionate share of contributions	86,374	274,806
Employer contributions subsequent to the measurement date	50,374	-
Total	<u>\$ 192,387</u>	<u>\$ 311,455</u>

\$50,374 reported as deferred outflows of resources related to pensions resulting from the Unit contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended 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 Ended	
2025	\$ (15,024)
2026	(48,377)
2027	2,925
2028	(24,316)
2029	(24,259)
Thereafter	(60,392)

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 measurement:

Inflation	2.30%
Salary increases	Composed of 3.80% wage inflations, plus step rate promotional increases for members with less than 30 years of service
Investment rate of return	7.25%, net of investment expenses, including inflation
Cost-of-living 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.

SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Notes to Financial Statements – Continued

The TFFR Board is responsible for establishing investment policy for the fund assets under NDCC 15-39.1-05.2. Benefit payments are projected to occur over a long period of time. This allows TFFR to adopt a long-term investment horizon and asset allocation policy for the management of fund assets. Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the Board in determining an acceptable volatility target for the fund and an optimal asset allocation policy mix. This asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk, including the resulting estimated impact of funded status and contribution rates.

The long-term expected rate of return on TFFR investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the TFFR target asset allocation as of June 30, 2023, is summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equities	55%	6.20%
Global Fixed Income	26%	3.00%
Global Real Assets	18%	4.40%
Cash Equivalents	1%	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, 2020, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2023. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2023.

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

The following presents the Unit's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate.

	1% Decrease (6.25%)	Current Discount (7.25%)	1% Increase (8.25%)
Unit's proportionate share of the net pension liability	\$ 961,292	\$ 690,444	\$ 465,684

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in a separately issued TFFR financial report that includes financial statements and required supplementary information.

NOTE 11 – SUBSEQUENT EVENTS

The Unit has evaluated subsequent events through May 1, 2025, the date on which the financial statements were available to be issued.

SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Hankinson, North Dakota

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year Ended June 30, 2024

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Local Sources	\$ 790,239	\$ 864,894	\$ 74,655
State Sources	435,000	405,599	(29,401)
Federal Sources	808,541	818,542	10,001
Interest Income	150	122	(28)
Miscellaneous Income	8,000	40,178	32,178
Total Revenues	2,041,930	2,129,335	87,405
EXPENDITURES			
Current			
Special Instruction	548,017	589,876	(41,859)
Psychological Services	300,905	295,424	5,481
Other Student Support Services	114,184	118,089	(3,905)
Governing Board	71,500	66,518	4,982
General Administrative Services	359,453	356,979	2,474
Student Transportation	98,105	114,707	(16,602)
Other Supporting Services	34,144	28,338	5,806
Contracted Services	515,622	710,101	(194,479)
Total Expenditures	2,041,930	2,280,032	(238,102)
Excess (Deficiency) of Revenues over Expenditures	-	(150,697)	(150,697)
FUND BALANCE, BEGINNING OF YEAR		586,437	
FUND BALANCE, END OF YEAR		\$ 435,740	

SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Hankinson, North Dakota

PENSION SCHEDULES
Year Ended June 30, 2024

NDTFFR Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions Last 10 Fiscal Years*

	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	0.049201%	690,444	394,794	174.89%	69.34%
2023	0.067786%	987,011	533,422	185.03%	67.50%
2022	0.062100%	654,326	478,609	136.71%	75.70%
2021	0.061626%	943,194	449,663	209.76%	63.39%
2020	0.070769%	974,666	496,464	196.32%	65.51%
2019	0.071338%	950,834	484,962	196.06%	65.50%
2018	0.058043%	797,244	391,778	203.49%	63.22%
2017	0.066802%	978,692	434,031	225.49%	59.18%
2016	0.113783%	1,488,117	699,887	212.62%	62.09%
2015	0.108350%	1,135,316	628,490	180.64%	66.62%

	Statutorily Required Contribution	Contributions in Relation to Statutorily Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2024	50,337	(50,337)	-	394,794	12.75%
2023	68,011	(68,011)	-	533,422	12.75%
2022	61,023	(61,023)	-	478,609	12.75%
2021	57,333	(57,333)	-	449,663	12.75%
2020	63,299	(63,299)	-	496,464	12.75%
2019	61,833	(61,833)	-	484,962	12.75%
2018	49,952	(49,952)	-	391,778	12.75%
2017	55,339	(55,339)	-	434,031	12.75%
2016	89,231	(89,231)	-	699,887	12.75%
2015	67,562	(67,562)	-	628,490	10.75%

*The measurement date of the net pension liability is June 30th of the prior year

SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Hankinson, North Dakota

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2024

NOTE 1 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

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

- The budget is prepared annually by the director.
- The board reviewed the budget, may make revisions and approves it on or before July 15. The budget must be filed by August 15th.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the business manager at the revenue and expenditure function/object level.
- The current budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- All appropriations lapse at year-end.

NOTE 2 - NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT CHANGES OF ASSUMPTIONS

Changes of assumptions

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.

SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Hankinson, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2024

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>ALN Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF EDUCATION			
Passed through North Dakota Department of Public Instruction			
Special Education - Grants to States (IDEA, Part B)	84.027	F84027	\$ 794,957
Special Education - Preschool Grants (IDEA Preschool)	84.173	F84173	23,585
Special Education Cluster			<u>818,542</u>
Total Expenditures of Federal Awards			<u><u>\$ 818,542</u></u>

SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Hankinson, North Dakota

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2024

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal award activity of the Unit 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The amounts reported on the schedule have been reconciled to and are in agreement with amounts recorded in the accounting records from which the financial statements have been reported.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the applicable cost principles contained in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or limited as to reimbursement. The Unit has not elected to use the 10 percent de minimis cost rate as allowed under the Uniform Guidance.



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

Board of Directors
South Valley Multi-District Special Education Unit
Hankinson, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the South Valley Multi-District Special Education Unit (the "Unit"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Unit's basic financial statements, and have issued our report thereon dated May 1, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Unit's internal control over financial reporting (internal control) to determine the 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 Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Unit's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses (2024-001 and 2024-002).

Report on Compliance and Other Matters

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

Unit 's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Unit's response to the findings identified in our audit and described in the accompanying schedule of current year findings. The Unit's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Unit'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 Unit's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Nadine Julson, LLC
Wahpeton, North Dakota
May 1, 2025



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

Board of Directors
South Valley Multi-District Special Education Unit
Hankinson, North Dakota

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the South Valley Multi-District Special Education Unit's (the "Unit") 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 the Unit's major federal program for the year ended June 30, 2024. The Unit's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Unit complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2024.

Basis for Opinion on the Major Federal Program

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

We are required to be independent of the Unit 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 the major federal program. Our audit does not provide a legal determination of the Unit's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control over Compliance

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

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

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

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

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

Nadine Julson, LLC
Wahpeton, North Dakota
May 1, 2025

SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Hankinson, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2024

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Report Issued:	Unmodified			
Internal Control Over Financial Reporting				
Material weakness identified?	<u>X</u>	Yes	<u></u>	No
Significant deficiencies identified not considered to be material weaknesses?	<u></u>	Yes	<u>X</u>	None reported
Noncompliance material to financial statements noted?	<u></u>	Yes	<u>X</u>	No

Federal Awards

Internal Control Over Major Program			
Material weakness identified?	<u> </u>	Yes	<u> X </u> No
Significant deficiency identified?	<u> </u>	Yes	<u> X </u> None reported
Type of auditor’s report issued on compliance for major programs:			
	Unmodified		
Any audit finding disclosed that are required to be reported in accordance with 2 CDF 200.516(a)?	<u> </u>	Yes	<u> X </u> No

<u>Assistance Listing Number</u>	<u>Name of Program or Cluster</u>
	<u>Special Education Cluster (IDEA)</u>
84.027	Special Education – Grants to States (IDEA, Part B)
84.173	Special Education – Preschool Grants (IDEA Preschool)

Dollar threshold used to distinguish between Type A and Type B programs	<u> \$750,000 </u>		
Auditee qualified as low-risk auditee?	<u> </u>	Yes	<u> X </u> No

SECTION II - FINANCIAL STATEMENT FINDINGS

2024-001 – FINANCIAL STATEMENT PREPARATION

Criteria

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

SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Schedule of Findings and Questioned Costs – Continued

Condition

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

Effect of Potential Effect

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

Recommendation

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

Repeat Finding

Yes.

Views of Responsible Officials

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

2024-002 INADEQUATE SEGREGATION OF DUTIES

Criteria

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

Condition

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

Effect or Potential Effect

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

Cause

The entity's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Schedule of Findings and Questioned Costs – Continued

Recommendation

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

Repeat Finding

Yes.

Views of Responsible Officials

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

SOUTH VALLEY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Hankinson, North Dakota

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2024

Prior Financial Statement Findings:

2023-001

A material weakness was reported for preparation of financial statements.

Recommendation

The accounting functions should be reviewed to determine if it is feasible for the Unit to prepare its own financial statements. This material weakness continues to exist under the current audit findings as number 2024-001.

2023-002

A material weakness was reported for inadequate segregation of duties.

Recommendation

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the Unit. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements. This material weakness continues to exist under the current audit findings as finding number 2024-001.

South Valley Multi-District Special Education

John Porter, Director
Brenna Janke, Business Manager
Melissa Heley, Admin. Assistant
PO Box 100 - Hankinson, ND 58041
Phone (701) 242-7031 ~ Fax (701) 242-8202

CORRECTIVE ACTION PLAN

Year ended June 30, 2024

2024-001 INADEQUATE SEGREGATION OF DUTIES

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

Completion Date – Ongoing.

Contact – Brenna Janke.

2024-002 FINANCIAL STATEMENT PREPARATION

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

Completion Date – Ongoing.

Contact – Brenna Janke.