NORTH DAKOTA
OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Medina Public School District No.3

Medina, North Dakota

Audit Report for the Year Ended June 30, 2024 and June 30, 2023

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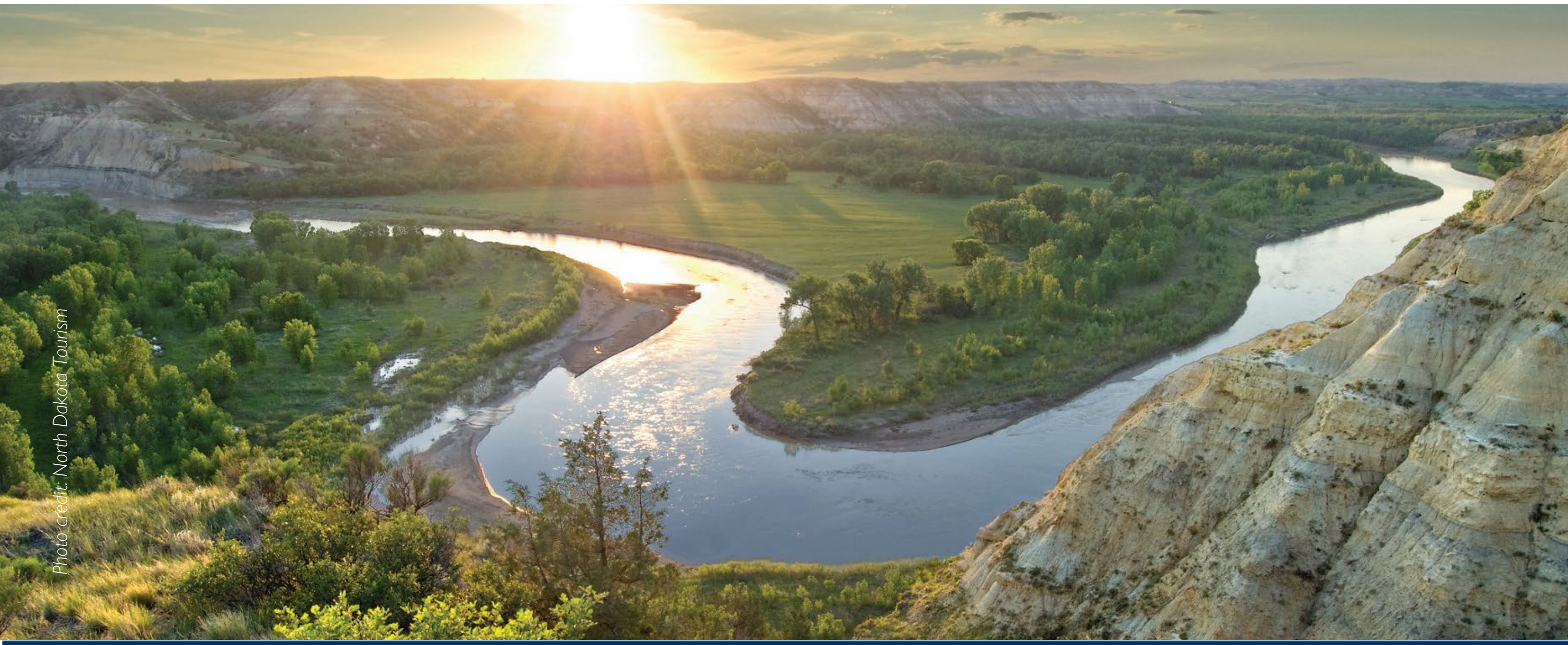

MEDINA PUBLIC SCHOOL DISTRICT NO.3

Table of Contents

For the Years Ended June 30, 2024, and June 30, 2023

SCHOOL DISTRICT OFFICIALS

At June 30, 2024

Rory Hoffmann	Chairman
Jacob Hofmann	Vice-Chairman
Jeremy Schmidt	Board Member
Nolan Kartchner	Board Member
Shawn Lachenmeier	Board Member
Shawn Gefroh	Board Member
Nancy Bodvig	Board Member
Damon Bosche	Superintendent
Dawn Moser	Business Manager

At June 30, 2023

Rory Hoffmann	Chairman
Jason Carlson	Vice-Chairman
Jeremy Schmidt	Board Member
Melissia Kleven	Board Member
Shawn Lachenmeier	Board Member
Shawn Gefroh	Board Member
Jacob Hofmann	Board Member
Damon Bosche	Superintendent
Dawn Moser	Business Manager

STATE AUDITOR
Joshua C. Gallion

www.nd.gov/auditor

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. Boulevard Ave. Dept. 117
Bismarck, North Dakota, 58505

PHONE
701-328-2241

FAX
701-328-2345

ndsao@nd.gov

INDEPENDENT AUDITOR'S REPORT

School Board of Directors
Medina Public School District No.3
Medina, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the modified cash basis financial statements of the governmental activities and each major fund of Medina Public School District No. 3, as of and for the year ended June 30, 2024 and June 30, 2023, and the related notes to the financial statements, which collectively comprise Medina Public School District No.3's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each major fund of Medina Public School District No.3, as of June 30, 2024 and June 30, 2023, and the respective changes in modified cash basis financial position, for the year then ended in accordance with modified cash basis of accounting described in Note 1.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Medina Public School District No. 3 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Basis of Accounting

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Medina Public School District No.3's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Medina Public School District No.3'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 Medina Public School District No.3's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Medina Public School District No.3's basic financial statements. The *budgetary comparison schedules and Notes to the Supplementary Information,*, 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 *Budgetary Comparison Schedules and Notes to the Supplementary Information* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2025 on our consideration of Medina Public School District No.3'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 Medina Public School District No.3'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 Medina Public School District No.3's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
March 24, 2025

MEDINA PUBLIC SCHOOL DISTRICT NO.3
Statement of Net Position – Modified Cash Basis
June 30, 2024

		Governmental Activities
ASSETS		
Cash and Investments	$	2,428,847
Capital Assets		
Nondepreciable		1,450
Depreciable, Net		1,163,638
Total Assets	$	3,593,935
NET POSITION		
Net Investment in Capital Assets	$	1,165,088
Restricted		
Capital Projects		489,328
Special Purposes		136,989
Unrestricted		1,802,530
Total Net Position	$	3,593,935

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

MEDINA PUBLIC SCHOOL DISTRICT NO.3

Statement of Activities – Modified Cash Basis
For the Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities					
Regular Instruction	$ 1,301,986	$ -	$ 7,025	$ -	$ (1,294,961)
Special Education	329,733	-	119,629	-	(210,104)
Vocational Education	197,816	-	36,888	-	(160,928)
Federal Programs	356,613	-	559,760	-	203,147
District Wide Services	92,063	-	-	-	(92,063)
Administration	523,462	-	-	-	(523,462)
School Food Services	213,324	66,326	1,255	-	(145,743)
Operations and Maintenance	565,824	-	-	-	(565,824)
Transportation	350,204	2,100	145,614	-	(202,490)
Co-curricular Activities	180,717	181,051	-	-	334
Other Programs & Services	56,652	-	954	-	(55,698)
Total Governmental Activities	$ 4,168,394	$ 249,477	$ 871,125	$ -	$ (3,047,792)

General Revenues	
Property Taxes	$ 929,391
Loss on Disposal of Capital Asset	(2,162)
State Grants/Aid - Unrestricted	2,136,530
Interest Income	62,986
Miscellaneous Revenue	112,270
Total General Revenues	$ 3,239,015
Changes in Net Position	$ 191,223
Net Position - July 1	$ 3,402,712
Net Position - June 30	$ 3,593,935

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

MEDINA PUBLIC SCHOOL DISTRICT NO.3
Balance Sheet – Governmental Funds – Modified Cash Basis
June 30, 2024

	General Fund	Building Fund	Special Revenue Funds	Total Governmental Funds
ASSETS				
Cash and Investments	$ 1,802,530	$ 489,328	$ 136,989	$ 2,428,847
FUND BALANCES				
Fund Balances				
Restricted				
Capital Projects	$ -	$ 489,328	$ -	$ 489,328
Student Activity	-	-	136,030	136,030
Assigned				
Food Service	-	-	959	959
Unassigned	1,802,530	-	-	1,802,530
Total Fund Balances	$ 1,802,530	$ 489,328	$ 136,989	$ 2,428,847
Total Liabilities and Fund Balances	$ 1,802,530	$ 489,328	$ 136,989	$ 2,428,847

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

MEDINA PUBLIC SCHOOL DISTRICT NO.3

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position – Modified Cash Basis
June 30, 2024

Total Fund Balances for Governmental Funds	$	2,428,847
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		1,165,088
Total Net Position of Governmental Activities	$	3,593,935

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

MEDINA PUBLIC SCHOOL DISTRICT NO.3

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds – Modified Cash Basis
For the Year Ended June 30, 2024

	General Fund	Building Fund	Special Revenue Funds	Total Governmental Funds
REVENUES				
Local Sources	$ 812,009	$ 205,569	$ 251,207	$ 1,268,785
State Sources	2,446,639	-	1,255	2,447,894
Federal Sources	471,322	-	88,438	559,760
Other Sources	85,311	29	-	85,340
Total Revenues	$ 3,815,281	$ 205,598	$ 340,900	$ 4,361,779
EXPENDITURES				
Current				
Regular Instruction	$ 1,280,991	$ -	$ -	$ 1,280,991
Special Education	329,733	-	-	329,733
Vocational Education	197,816	-	-	197,816
Federal Programs	356,613	-	-	356,613
District Wide Services	71,726	-	-	71,726
Administration	523,462	-	-	523,462
School Food Services	-	-	210,884	210,884
Operations and Maintenance of Plant	265,253	290,321	-	555,574
Transportation	398,362	-	-	398,362
Co-curricular Activities	-	-	180,717	180,717
Other Programs and Services	56,652	-	-	56,652
Total Expenditures	$ 3,480,608	$ 290,321	$ 391,601	$ 4,162,530
Excess (Deficiency) of Revenues Over Expenditures	$ 334,673	$ (84,723)	$ (50,701)	$ 199,249
OTHER FINANCING SOURCES AND (USES)				
Sale of Capital Asset	$ 538	$ -	$ -	$ 538
Transfers in	-	-	26,200	26,200
Transfers Out	(26,200)	-	-	(26,200)
Total Other Financing Sources and Uses	$ (25,662)	$ -	$ 26,200	$ 538
Net Change in Fund Balances	$ 309,011	$ (84,723)	$ (24,501)	$ 199,787
Fund Balances - July 1	$ 1,493,519	$ 574,051	$ 161,490	$ 2,229,060
Fund Balances - June 30	$ 1,802,530	$ 489,328	$ 136,989	$ 2,428,847

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

MEDINA PUBLIC SCHOOL DISTRICT NO.3

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

For the Year Ended June 30, 2024

Net Change in Fund Balances - Total Governmental Funds		$ 199,787
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Current Year Capital Additions	$ 138,942	
Current Year Depreciation Expense	(144,806)	(5,864)
In the statement of activities, only the gain on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the assets sold.		
Loss on Sale of Capital Assets	$ (2,162)	
Proceeds from Sale of Capital Assets	(538)	(2,700)
Change in Net Position of Governmental Activities		$ 191,223

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

		Governmental Activities
ASSETS		
Cash and Investments	$	2,229,060
Capital Assets		
Nondepreciable		1,450
Depreciable, Net		1,172,202
Total Assets	$	3,402,712
NET POSITION		
Net Investment in Capital Assets	$	1,173,652
Restricted		
Capital Projects		574,051
Special Purposes		161,490
Unrestricted		1,493,519
Total Net Position	$	3,402,712

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

MEDINA PUBLIC SCHOOL DISTRICT NO.3
Statement of Activities – Modified Cash Basis
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities					
Regular Instruction	$ 1,232,884	$ -	$ -	$ 18,865	$ (1,214,019)
Special Education	267,732	-	151,532	-	(116,200)
Vocational Education	195,186	-	35,469	-	(159,717)
Federal Programs	361,706	-	450,812	-	89,106
District Wide Services	86,800	-	-	-	(86,800)
Administration	494,795	-	-	-	(494,795)
School Food Services	195,987	64,421	473	-	(131,093)
Operations and Maintenance	455,237	-	-	-	(455,237)
Transportation	348,462	450	181,615	-	(166,397)
Co-curricular Activities	217,288	219,591	-	-	2,303
Other Programs & Services	139,607	4,071	1,001	-	(134,535)
Total Governmental Activities	$ 3,995,684	$ 288,533	$ 820,902	$ 18,865	$ (2,867,384)

General Revenues	
Property Taxes	$ 865,991
Gain on Disposal of Capital Asset	55,711
State Grants/Aid - Unrestricted	2,097,709
Interest Income	24,705
Miscellaneous Revenue	70,273
Total General Revenues	$ 3,114,389
Changes in Net Position	$ 247,005
Net Position - July 1	$ 3,155,707
Net Position - June 30	$ 3,402,712

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

MEDINA PUBLIC SCHOOL DISTRICT NO.3
Balance Sheet – Governmental Funds – Modified Cash Basis
June 30, 2023

	General Fund	Building Fund	Special Revenue Funds	Total Governmental Funds
ASSETS				
Cash and Investments	$ 1,493,519	$ 574,051	$ 161,490	$ 2,229,060
FUND BALANCES				
Fund Balances				
Restricted				
Capital Projects	$ -	$ 574,051	$ -	$ 574,051
Student Activity	-	-	135,696	135,696
Assigned				
Food Service	-	-	25,794	25,794
Unassigned	1,493,519	-	-	1,493,519
Total Fund Balances	$ 1,493,519	$ 574,051	$ 161,490	$ 2,229,060
Total Liabilities and Fund Balances	$ 1,493,519	$ 574,051	$ 161,490	$ 2,229,060

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

MEDINA PUBLIC SCHOOL DISTRICT NO.3

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position – Modified Cash Basis
June 30, 2023

Total Fund Balances for Governmental Funds	$	2,229,060
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		1,173,652
Total Net Position of Governmental Activities	$	3,402,712

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

MEDINA PUBLIC SCHOOL DISTRICT NO.3

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds – Modified Cash Basis
For the Year Ended June 30, 2023

	General Fund	Building Fund	Special Revenue Funds	Total Governmental Funds
REVENUES				
Local Sources	$ 724,489	$ 191,850	$ 286,694	$ 1,203,033
State Sources	2,467,326	-	473	2,467,799
Federal Sources	363,409	-	106,268	469,677
Other Sources	42,819	3,652	-	46,471
Total Revenues	$ 3,598,043	$ 195,502	$ 393,435	$ 4,186,980
EXPENDITURES				
Current				
Regular Instruction	$ 1,225,136	$ -	$ -	$ 1,225,136
Special Education	267,732	-	-	267,732
Vocational Education	195,186	-	-	195,186
Federal Programs	361,706	-	-	361,706
District Wide Services	46,670	-	-	46,670
Administration	494,795	-	-	494,795
School Food Services	-	-	193,547	193,547
Operations and Maintenance of Plant	330,117	114,870	-	444,987
Transportation	440,344	-	-	440,344
Co-curricular Activities	-	-	217,288	217,288
Other Programs and Services	139,607	-	-	139,607
Total Expenditures	$ 3,501,293	$ 114,870	$ 410,835	$ 4,026,998
Excess (Deficiency) of Revenues Over Expenditures	$ 96,750	$ 80,632	$ (17,400)	$ 159,982
OTHER FINANCING SOURCES AND (USES)				
Sale of Capital Asset	$ 6,000	$ 110,000	$ -	$ 116,000
Total Other Financing Sources and Uses	$ 6,000	$ 110,000	$ -	$ 116,000
Net Change in Fund Balances	$ 102,750	$ 190,632	$ (17,400)	$ 275,982
Fund Balances - July 1	$ 1,390,769	$ 383,419	$ 178,890	$ 1,953,078
Fund Balances - June 30	$ 1,493,519	$ 574,051	$ 161,490	$ 2,229,060

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

MEDINA PUBLIC SCHOOL DISTRICT NO.3

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

For the Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds		$ 275,982
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Current Year Capital Additions	$ 164,858	
Current Year Depreciation Expense	(133,546)	31,312
In the statement of activities, only the gain on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the assets sold.		
Loss on Sale of Capital Assets	$ 55,711	
Proceeds from Sale of Capital Assets	(116,000)	(60,289)
Change in Net Position of Governmental Activities		$ 247,005

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Medina Public School District No.3 ("School District") have been prepared in conformity with the modified cash basis of accounting as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity

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

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

Basis of Presentation

Government-wide statements: The statement of net position and the statement of activities display information about the School District. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, interest, and non-restricted grants and contributions, are presented as general revenues.

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

The School District reports the following major governmental funds:

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

Building Fund. This fund accounts for the acquisition and construction of the School District's capital facilities.

Special Revenue Funds. These funds account for the school food program as well as the student activity fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus and the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred.

This basis differs from accounting principles generally accepted in the United States of America because accounts receivable, accounts payable, and accrued expenses are not included in the financial statements. Only capital assets with a provision for depreciation and long-term debt are recorded under the basis of accounting described above on the statement of net position. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

If the School District utilized the basis of accounting recognized as generally accepted, the government-wide statements would be prepared on the accrual basis of accounting and the governmental fund financial statements would be prepared on the modified accrual basis of accounting.

Cash and Investments

Cash includes amounts in demand deposits, money market accounts, and highly liquid short-term investments with original maturities of three months or less.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000. Such assets are recorded at historical 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 assets lives are not capitalized. Interest incurred during the construction phase of capital assets is not capitalized.

Capital assets of the School District are depreciated using the straight-line method over the following estimated useful lives (in years):

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

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Teachers' Fund for Retirement (TFFR), and of the North Dakota Public Employee's System (NDPERS), and additions to/deductions from TFFR's/NDPER's fiduciary net position have been determined on the same basis as they are reported by TFFR/NDPERS. 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. The net pension liability is not reported under the modified cash basis of accounting, but the information is disclosed in the pension note disclosure. Note 7, is shown as additional information to the users of the financial statements.

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, 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. The net OPEB liability is not reported under the modified cash basis of accounting, but the information is disclosed in the OPEB note disclosure. Note 8, is shown as additional information to the users of the financial statements.

Fund Balances

Restricted Fund Balances. Restricted fund balance is shown by primary function on the balance sheet. Restricted fund balances are restricted by tax levies (enabling legislation) and by outside 3rd parties (State & Federal governments for various grants & reimbursements).

Assigned Fund Balances. Assigned fund balance consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the School District's intended use and are established by the School Board and management.

Unassigned Fund Balances. Unassigned fund balance is reported in the general fund and for negative fund balances at year-end.

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

Net Position

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

Net investment in capital assets is reported for capital assets less accumulated depreciation, as well as net of any related debt to purchase or finance the capital assets. These assets are not available for future spending.

Restrictions of net position in the statement of net position are due to restricted tax levies and restricted Federal & State grants/reimbursements.

Unrestricted net position is primarily unrestricted amounts related to the general fund and negative fund balances.

Interfund Transactions

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

All other interfund transactions, except reimbursements, are reported as transfers.

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

NOTE 2 DEPOSITS

Custodial Credit Risk

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

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

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the state of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the state of North Dakota. Whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by any other state of the United States or such other securities approved by the banking board.

At year ended June 30, 2024, the School District's carrying amount of deposits was $2,329,199 and the bank balances totaled $2,573,510. Of the bank balances, $487,030 was covered by Federal Depository Insurance, while the remaining balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended June 30, 2023, the School District's carrying amount of deposits was $2,133,555 and the bank balances totaled $2,370,478. Of the bank balances, $486,424 was covered by Federal Depository Insurance, while the remaining balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

NOTE 3 PROPERTY TAXES

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

NOTE 4 CAPITAL ASSETS

Primary Government

The following is a summary of changes in capital assets for the years ended June 30, 2024 and June 30, 2023:

2024	Balance July 1	Increases	Decreases	Balance June 30
Capital assets not being depreciated				
Land	$ 1,450	$ -	$ -	$ 1,450
Construction in Progress	-	-	-	-
Total Capital Assets, Not Being Depreciated	$ 1,450	$ -	$ -	$ 1,450
Capital assets being depreciated				
Buildings	$ 1,634,236	$ -	$ -	$ 1,634,236
Equipment	449,834	19,792	-	469,626
Vehicles	761,675	119,150	4,500	876,325
Total Capital Assets, Being Depreciated	$ 2,845,745	$ 138,942	$ 4,500	$ 2,980,187
Less Accumulated Depreciation for				
Buildings	$ 1,147,511	$ 32,257	$ -	$ 1,179,768
Equipment	235,720	44,374	-	280,094
Vehicles	290,312	68,175	1,800	356,687
Total Accumulated Depreciation	$ 1,673,543	$ 144,806	$ 1,800	$ 1,816,549
Total Capital Assets Being Depreciated, Net	$ 1,172,202	$ (5,864)	$ 2,700	$ 1,163,638
Governmental Activities Capital Assets, Net	$ 1,173,652	$ (5,864)	$ 2,700	$ 1,165,088

2023	Balance July 1	Increases	Decreases	Balance June 30
Capital assets not being depreciated				
Land	$ 1,450	$ -	$ -	$ 1,450
Total Capital Assets, Not Being Depreciated	$ 1,450	$ -	$ -	$ 1,450
Capital assets being depreciated				
Buildings	$ 1,698,736	$ -	$ 64,500	$ 1,634,236
Equipment	435,049	14,785	-	449,834
Vehicles	629,939	150,075	18,339	761,675
Total Capital Assets, Being Depreciated	$ 2,763,724	$ 164,860	$ 82,839	$ 2,845,745
Less Accumulated Depreciation for				
Buildings	$ 1,123,854	$ 33,117	$ 9,460	$ 1,147,511
Equipment	189,807	45,913	-	235,720
Vehicles	248,884	54,517	13,089	290,312
Total Accumulated Depreciation	$ 1,562,545	$ 133,547	$ 22,549	$ 1,673,543
Total Capital Assets Being Depreciated, Net	$ 1,201,179	$ 31,313	$ 60,290	$ 1,172,202
Governmental Activities Capital Assets, Net	$ 1,202,629	$ 31,313	$ 60,290	$ 1,173,652

Depreciation expense was charged to functions of the School District for 2024 and 2023 respectively as follows:

Depreciation by Function:	2024	2023
Transportation	$ 70,991	$ 58,194
Regular Instruction	20,995	22,533
Operations & Maintenance	10,250	10,250
District Wide	40,130	40,130
Food Service	2,440	2,440
Total	$ 144,806	$ 133,547

NOTE 5 PENSION PLAN

<u>General Information about the TFFR Pension Plan</u>

North Dakota Teachers' 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

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

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

If reporting on the full accrual basis of accounting, at June 30, 2024 and June 30, 2023 the School District would report the following net pension liabilities:

	TFFR Liability
School District - 2024	$ 2,172,089
School District - 2023	2,143,728

The net pension liability was measured on July 1, 2023 and July 1, 2022 respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of covered payroll in pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2023 and July 1, 2022, the entity had the following proportions and change in proportions:

	Proportion	Increase (Decrease) in Proportion from July 1 Measurement Date
School District - 2024	0.154783%	0.007554%
School District - 2023	0.147229%	0.003725%

There were no deferred inflows or outflows of resources reported on the School District's financial statements as they are reporting on the modified cash basis of accounting.

Actuarial Assumptions

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

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

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

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

Discount Rate

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount rate

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
School District's Proportionate Share of the Net Pension Liability	$ 3,024,159	$ 2,172,089	$ 1,465,011

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/annualreport2021.pdf.

General Information about the NDPERS Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is $25 and the maximum may not exceed the following:

1 to 12 months of service	Greater of one percent of monthly salary or $25
13 to 24 months of service	Greater of two percent of monthly salary or $25
25 to 36 months of service	Greater of three percent of monthly salary or $25
Longer than 36 months of service	Greater of four percent of monthly salary or $25

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

If reporting on the full accrual basis of accounting, at June 30, 2024 and June 30, 2023 the School District would report the following net pension liabilities:

	Net Pension Liability
School District - 2024	$ 755,836
School District - 2023	1,022,193

The net pension liability was measured as of June 30, 2024 and 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 proportion of the net pension liability was based on its respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. The entities had the following proportions and change in proportions at June 30, 2024 and June 30, 2023

	Proportion	Increase (Decrease) in Proportion from June 30 Measurement Date
School District - 2024	0.039198%	0.003706%
School District - 2023	0.035492%	0.008390%

There were no deferred inflows or outflows of resources reported on the School District's financial statements as they are reporting on the modified cash basis of accounting.

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

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.25%
International Equity	20%	6.95%
Private Equity	7%	9.45%
Domestic Fixed Income	23%	2.51%
International Fixed Income	0%	0.00%
Global Real Assets	19%	4.33%
Cash Equivalents	0%	0.00%

Discount Rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.86%; and the resulting Single Discount Rate is 6.50%.

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

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

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
School District's Proportionate Share of the Net Pension Liability	$ 1,042,117	$ 755,836	$ 518,345

Pension Plan Fiduciary Net Position

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

NOTE 6 OTHER POST EMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

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

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

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

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

If reporting on the full accrual basis of accounting, at June 30, 2024, the School District would report a liability of $23,511 for their proportionate shares 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 School District’s proportion of the net OPEB liability was based on their share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2023, the School District's proportion was 0.023517% which was a increase of .000044% from its proportion measured June 30, 2022.

Actuarial Assumptions

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

Inflation	2.25%
Salary Increases	Not applicable
Investment rate or return	5.75%, net of investment expenses
Cost of living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	6.10%
Small Cap Domestic Equities	6%	7.10%
Domestic Fixed Income	35%	2.59%
International Equities	26%	6.50%

Discount Rate

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

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

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

	1% Decrease (4.75%)	**Current Discount Rate (5.75%)**	**1% Increase (6.75%)**
School District's Proportionate Share of the Net OPEB Liability	$ 30,899	$ 23,511	$ 17,291

NOTE 7 RISK MANAGEMENT

The School District 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 (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The School District pays an annual premium to NDIRF for its general liability and automobile insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and automobile.

The School District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The School District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of two million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the School District with blanket fidelity bond coverage in the amount of $1,641,531 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The School District has worker's compensation with the Workforce, Safety and Insurance 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 8 SUBSEQUENT EVENTS

Subsequent to June 30, 2024, the School District issued general obligation building bonds in the amount of the $2,965,000 for the purpose of financing and constructing additional classrooms and break rooms onto the existing School building. Future bond principal payments are due annually and range from $90,000 to $215,000, with an interest rate between 4% to 5%. The bonds mature in FY2045.

MEDINA PUBLIC SCHOOL DISTRICT NO.3

Budgetary Comparison Schedule - General Fund
June 30, 2024 and June 30, 2023

	FY2024				FY2023			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES								
Local Sources	$ 775,053	$ 775,053	$ 812,009	$ 36,956	$ 714,806	$ 714,806	$ 724,489	$ 9,683
State Sources	2,537,510	2,537,510	2,446,639	(90,871)	2,386,640	2,386,640	2,467,326	80,686
Federal Sources	317,729	317,729	471,322	153,593	118,547	118,547	363,409	244,862
Other Sources	25,000	25,000	85,311	60,311	25,000	25,000	42,819	17,819
Total Revenues	$ 3,655,292	$ 3,655,292	$ 3,815,281	$ 159,989	$ 3,244,993	$ 3,244,993	$ 3,598,043	$ 353,050
EXPENDITURES								
Current								
Regular Instruction	$ 1,287,100	$ 1,287,100	$ 1,280,991	$ 6,109	$ 1,246,685	$ 1,246,685	$ 1,225,136	$ 21,549
Special Education	294,325	294,325	329,733	(35,408)	260,114	260,114	267,732	(7,618)
Vocational Education	196,847	196,847	197,816	(969)	193,713	193,713	195,186	(1,473)
Federal Programs	317,729	317,729	356,613	(38,884)	114,587	114,587	361,706	(247,119)
District Wide Services	55,165	55,165	71,726	(16,561)	60,000	60,000	46,670	13,330
Administration	515,950	515,950	523,462	(7,512)	498,663	498,663	494,795	3,868
Operations and Maintenance	267,800	267,800	265,253	2,547	332,000	332,000	330,117	1,883
Transportation	430,700	430,700	398,362	32,338	452,500	452,500	440,344	12,156
Other Programs & Services	110,000	110,000	56,652	53,348	110,000	110,000	139,607	(29,607)
Total Expenditures	$ 3,475,616	$ 3,475,616	$ 3,480,608	$ (4,992)	$ 3,268,262	$ 3,268,262	$ 3,501,293	$ (233,031)
Excess (Deficiency) of Revenues Over Expenditures	$ 179,676	$ 179,676	$ 334,673	$ 154,997	$ (23,269)	$ (23,269)	$ 96,750	$ 120,019
OTHER FINANCING SOURCES								
Sale of Capital Asset	$ -	$ -	$ 538	$ 538	$ -	$ -	$ 6,000	$ (6,000)
Transfer Out	-	-	(26,200)	(26,200)	-	-	-	-
Total Other Financing Sources	$ -	$ -	$ (25,662)	$ (25,662)	$ -	$ -	$ 6,000	$ (6,000)
Net Changes in Fund Balances	$ 179,676	$ 179,676	$ 309,011	$ 129,335	$ (23,269)	$ (23,269)	$ 102,750	$ 114,019
Fund Balances - July 1	$ 875,483	$ 875,483	$ 1,493,519	$ 618,036	$ 875,483	$ 875,483	$ 1,390,769	$ -
Prior Period Adjustment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Fund Balances - July 1 Restated	$ 875,483	$ 875,483	$ 1,493,519	$ 618,036	$ 875,483	$ 875,483	$ 1,390,769	$ -
Fund Balances - June 30	$ 1,055,159	$ 1,055,159	$ 1,802,530	$ 747,371	$ 852,214	$ 852,214	$ 1,493,519	$ 641,305

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

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The School District adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States for the general fund, special revenue funds, debt service funds, and capital project funds.

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

- The annual budget must be prepared, and school district taxes must be levied on or before the tenth day of August of each year.

- The governing body of the school district may amend its tax levy and budget on or before the tenth day of October of each year, but the certification must be filed with the county auditor within the time limitations as outlined in NDCC section 57-15-31.1.

- Taxes for school district purposes must be based upon an itemized budget statement which must show the complete expenditure program of the district for the current fiscal year and the sources of the revenue from which it is to be financed.

- The operating budget includes proposed expenditures and means of financing them.

- The school board of each public school district, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the district and to provide a sinking fund to pay and discharge the principal thereof at maturity.

- No taxing district may certify any taxes or amend its current budget and no county auditor may accept a certification of taxes or amended budget after the tenth day of October of each year if such certification or amendment results in a change in the amount of tax levied.

- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.

NOTE 2: EXPENDITURES IN EXCESS OF BUDGET

During fiscal year 2023, Medina Public School No.3 had the following fund expenditures in excess of budgeted amounts:

General Fund			
Year	Budget	Actual	Excess
2023	3,268,262	3,492,778	224,516

STATE AUDITOR
Joshua C. Gallion

www.nd.gov/auditor

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. Boulevard Ave. Dept. 117
Bismarck, North Dakota, 58505

PHONE
701-328-2241

FAX
701-328-2345

ndsao@nd.gov

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

Independent Auditor's Report

School Board of Directors
Medina Public School District No.3
Medina, 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 and each major fund, of Medina Public School District No.3 as of and for the years ended June 30, 2024 and June 30, 2023, and the related notes to the financial statements, which collectively comprise Medina Public School District No.3's basic financial statements, and have issued our report thereon dated March 24, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Medina Public School District No.3'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 Medina Public School District No.3's internal control. Accordingly, we do not express an opinion on the effectiveness of the Medina Public School District No.3's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *schedule of audit findings*, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying *schedule of audit findings* as item *2024-002* to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Medina Public School District No.3'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.

Medina Public School District No.3’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Medina Public School District No.3’s response to the findings identified in our audit and described in the accompanying *schedule of audit findings.* Medina Public School District No.3’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
March 24, 2025

Financial Statements

Type of Report Issued:

Governmental Activities – Modified Cash Basis	Unmodified
Major Funds – Modified Cash Basis	Unmodified

Internal control over financial reporting

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

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

Condition

Medina Public School District No.3 has limited staff responsible for the primary accounting functions. A lack of segregation of duties exists as one employee is responsible to collect monies, issue checks, send checks to vendors, record receipts and disbursements in the check register, and maintain the general ledger.

Effect

The lack of segregation of duties increases the risk of material misstatements to Medina Public School District No.3 No.3's financial condition, whether due to error or fraud.

Cause

Management has chosen to allocate its economic resources to other functions of the School District.

Criteria

Proper internal controls according to the COSO framework include controls surrounding the custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements. The framework dictates there should be sufficient accounting personnel so that duties of employees are properly segregated. Proper segregation of duties would provide better control over the assets of Medina Public School District No.3.

Repeat Finding

Yes.

Recommendation

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

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

Medina Public School District No.3's Response

Agree. Medina Public School District No.3 agrees and will segregate duties as it becomes feasible.

2024-002 AUDIT ADJUSTMENTS – SIGNIFICANT DEFICIENCY

Condition

Auditor-identified adjusting entries were proposed to properly reflect the financial statements in accordance with the modified cash basis of accounting. The financial statements reflect the adjustments and were approved by management.

Effect

The financial statements may have been materially misstated if the adjustments were not made during the audit.

Cause

Management reported summer payroll expenditures as a cash outflow transaction in the year it was budgeted instead of in the following year when the cash payments were made.

Criteria

Medina Public School District No.3 is responsible for ensuring its annual financial statements, including expenditures and cash transactions, are reliable, appropriately classified, accurate, free of material misstatement, and in accordance with the modified cash basis of accounting.

Repeat Finding

Yes.

Recommendation

We recommend that Medina Public School District No.3 review all adjusting entries to ensure its financial statements are accurately presented and in accordance with the modified cash basis of accounting.

Medina Public School District No. 3's Response

Agree. Medina Public School District No.3 agrees to review all entries to determine if they are accurately presented. Additionally, in FY2024 the school district has coded accounts receivables and payables in the general ledger to identify amounts coming in/out after year-end

Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE
600 E. Boulevard Ave. Dept. 117 | Bismarck, North Dakota 58505

ND.gov/Auditor NDSAO@nd.gov 701-328-2241 Facebook.com/NDStateAuditor