NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

AUDITED FINANCIAL STATEMENTS
Years Ended June 30, 2024 and 2023

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

OFFICIAL DIRECTORY
June 30, 2024

Kristin Beck	President
Chris Mathias	Vice-President
Derrick Hansen	Board Member
Sean Anderson	Board Member
Zachary Johnson	Board Member
Ryan Moser	Superintendent
Donna Anderson	Business Manager

INDEPENDENT AUDITOR'S REPORT

School Board
North Sargent Public School District No. 3
Gwinner, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Sargent Public School District No. 3 (the "District"), as of and for the years ended June 30, 2024 and 2023, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2024 and 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the years 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 District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Nadine Julson, LLC

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Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule – general fund, schedules of employer’s proportionate share of net pension and OPEB liability and 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 District's basic financial statements. The nonmajor governmental funds – combining balance sheet and nonmajor governmental funds – combining schedule of revenues, expenditures, and changes in fund balance are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the nonmajor governmental funds – combining balance sheet and nonmajor governmental funds – combining schedule of revenues, expenditures, and changes in fund balance 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 September 24, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 District'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 District's internal control over financial reporting and compliance.

Nadine Julson, LLC

Nadine Julson, LLC
Wahpeton, North Dakota
September 24, 2024

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

STATEMENTS OF NET POSITION
June 30, 2024 and 2023

	2024	2023
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 1,301,799	$ 1,198,141
Savings and CD's	199,448	192,166
Accounts Receivable	36,736	5,570
Due from County	1,115	4,180
Due from State Government	-	7,931
Due from Federal Government	150,199	105,903
Taxes Receivable	35,235	36,359
Total Current Assets	1,724,532	1,550,250
Capital Assets		
Depreciable, net of accumulated depreciation		
Buildings and Improvements	1,581,508	1,670,800
Vehicles	72,710	98,156
Equipment	147,371	105,605
Total Capital Assets	1,801,589	1,874,561
Total Assets	3,526,121	3,424,811
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pension and OPEB	1,037,958	1,285,697
Total Assets and Deferred Outflows of Resources	4,564,079	4,710,508
LIABILITIES		
Current Liabilities		
Accounts Payable	28,554	38,892
Current Portion of Long-term Debt		
Notes Payable	9,530	22,078
Total Current Liabilities	38,084	60,970
Due After One Year		
Notes Payable	-	9,710
Compensated Absences	25,544	25,781
Pension and OPEB Liability	3,519,090	3,882,968
Total Long-term Liabilities	3,544,634	3,918,459
Total Liabilities	3,582,718	3,979,429
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions and OPEB	1,052,788	946,726
Total Liabilities and Deferred Inflows of Resources	4,635,506	4,926,155
NET POSITION (DEFICIT)		
Net Investment in Capital Assets	1,792,059	1,842,773
Restricted	551,726	382,013
Unrestricted (Deficit)	(2,415,212)	(2,440,433)
Total Net Position (Deficit)	$ (71,427)	$ (215,647)

See Notes to Financial Statements

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

STATEMENT OF ACTIVITIES
Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Regular Instruction	$ 2,004,233	$ 2,080	$ 546,907	$ (1,455,246)
Special Instruction	281,339	-	-	(281,339)
Vocational Instruction	167,121	-	6,586	(160,535)
Pupil Services	161,452	-	-	(161,452)
General Administration Services	233,852	-	-	(233,852)
School Administration Services	173,613	-	-	(173,613)
Operation and Maintenance	350,221	-	-	(350,221)
Pupil Transportation	97,538	-	21,334	(76,204)
Student Activities	312,205	101,530	98,130	(112,545)
School Food Services	151,766	43,284	97,685	(10,797)
	$ 3,933,340	$ 146,894	$ 770,642	(3,015,804)
General Revenues				
Taxes				
Taxes Levied for General Purposes				789,883
Taxes Levied for Building Purposes				85,909
State Aid, not restricted for specific purpose				2,225,374
Interest and Investment Earnings				27,920
Miscellaneous				30,938
Total General Revenues				3,160,024
Change in Net Position				144,220
Net Position (Deficit), Beginning of Year				(215,647)
Net Position (Deficit), End of Year				$ (71,427)

See Notes to Financial Statements

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Regular Instruction	$ 1,986,101	$ 2,755	$ 611,506	$ (1,371,840)
Special Instruction	305,112	-	-	(305,112)
Vocational Instruction	214,081	-	6,333	(207,748)
Pupil Services	120,477	-	-	(120,477)
General Administration Services	236,180	-	-	(236,180)
School Administration Services	148,567	-	-	(148,567)
Operation and Maintenance	390,562	-	-	(390,562)
Pupil Transportation	89,196	-	51,529	(37,667)
Student Activities	305,498	96,831	57,847	(150,820)
School Food Services	140,205	44,538	93,928	(1,739)
	$ 3,935,979	$ 144,124	$ 821,143	(2,970,712)
General Revenues				
Taxes				
Taxes Levied for General Purposes				753,883
Taxes Levied for Building Purposes				84,834
State Aid, not restricted for specific purpose				2,274,524
Interest and Investment Earnings				18,409
Loss on Sale of Assets				(15,054)
Miscellaneous				50,511
Total General Revenues				3,167,107
Change in Net Position				196,395
Net Position, Beginning of Year				(412,042)
Net Position, End of Year				$ (215,647)

See Notes to Financial Statements

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2024

	Major Fund			
	General Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	$ 923,948	$ 185,912	$ 191,939	$ 1,301,799
Savings and CD's	199,448	-	-	199,448
Accounts Receivable	36,736	-	-	36,736
Due from County	1,078	8	29	1,115
Due from Federal Government	150,199	-	-	150,199
Taxes Receivable	30,659	3,568	1,008	35,235
Total Assets	1,342,068	189,488	192,976	1,724,532
LIABILITIES				
Accounts Payable	28,554	-	-	28,554
Total Liabilities	28,554	-	-	28,554
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	30,659	3,568	1,008	35,235
Total Deferred Inflows of Resources	30,659	3,568	1,008	35,235
FUND BALANCE				
Restricted	173,451	185,920	157,120	516,491
Assigned	-	-	34,848	34,848
Unassigned	1,109,404	-	-	1,109,404
Fund Balance	1,282,855	185,920	191,968	1,660,743
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$ 1,342,068	$ 189,488	$ 192,976	$ 1,724,532

See Notes to Financial Statements

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2023

	Major Fund			
	General Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	$ 909,049	$ 97,915	$ 191,177	$ 1,198,141
Savings and CD's	192,166	-	-	192,166
Accounts Receivable	5,570	-	-	5,570
Due from County	3,747	337	96	4,180
Due from State Government	7,931	-	-	7,931
Due from Federal Government	105,903	-	-	105,903
Taxes Receivable	31,606	3,685	1,068	36,359
Total Assets	1,255,972	101,937	192,341	1,550,250
LIABILITIES				
Accounts Payable	38,892	-	-	38,892
Total Liabilities	38,892	-	-	38,892
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	31,606	3,685	1,068	36,359
Total Deferred Inflows of Resources	31,606	3,685	1,068	36,359
FUND BALANCE				
Restricted	127,196	98,252	151,812	377,260
Assigned	-	-	39,461	39,461
Unassigned	1,058,278	-	-	1,058,278
Fund Balance	1,185,474	98,252	191,273	1,474,999
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$ 1,255,972	$ 101,937	$ 192,341	$ 1,550,250

See Notes to Financial Statements

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

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

Total Fund Balance - Governmental Funds		$	1,660,743
Total net position reported for government activities in the statement of net position is different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.			
Cost of Capital Assets	3,906,308		
Less Accumulated Depreciation	(2,104,719)		
Net Capital Assets			1,801,589
Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the funds.			35,235
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.			
Compensated Absences	(25,544)		
Notes Payable	(9,530)		
Pension and OPEB Liability (net of related outflows and inflows)	(3,533,920)		
Total Long-term Liabilities			(3,568,994)
Total Net Position of Governmental Activities		$	(71,427)

See Notes to Financial Statements

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2023

Total Fund Balance - Governmental Funds		$	1,474,999
Total net position reported for government activities in the statement of net position is different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.			
Cost of Capital Assets	3,840,823		
Less Accumulated Depreciation	(1,966,262)		
Net Capital Assets			1,874,561
Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the funds.			36,359
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.			
Compensated Absences	(25,781)		
Notes Payable	(31,788)		
Pension and OPEB Liability (net of related outflows and inflows)	(3,543,997)		
Total Long-term Liabilities			(3,601,566)
Total Net Position of Governmental Activities		$	(215,647)

See Notes to Financial Statements

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

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

	Major Fund			
	General Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local Sources	$ 962,104	$ 86,026	$ 67,667	$ 1,115,797
State Sources	2,339,673	-	7,372	2,347,045
Federal Sources	467,640	-	89,728	557,368
Interest Income	23,975	1,642	1,919	27,536
Miscellaneous Income	30,938	-	-	30,938
Total Revenues	3,824,330	87,668	166,686	4,078,684
EXPENDITURES				
Current				
Regular Instruction	1,991,994	-	-	1,991,994
Special Instruction	281,339	-	-	281,339
Vocational Instruction	147,877	-	-	147,877
Pupil Services	220,337	-	-	220,337
General Administration Services	233,489	-	-	233,489
School Administration Services	173,613	-	-	173,613
Operation and Maintenance	310,613	-	-	310,613
Pupil Transportation	77,670	-	-	77,670
Student Activities	288,059	-	-	288,059
School Food Services	-	-	145,691	145,691
Debt Service				
Principal	22,258	-	-	22,258
Total Expenditures	3,747,249	-	145,691	3,892,940
Excess of Revenues over Expenditures	77,081	87,668	20,995	185,744
OTHER FINANCING SOURCES (USES)				
Operating Transfer In	20,300	-	-	20,300
Operating Transfer Out	-	-	(20,300)	(20,300)
Total Other Financing Sources (Uses)	20,300	-	(20,300)	-
NET CHANGE IN FUND BALANCE	97,381	87,668	695	185,744
FUND BALANCE, BEGINNING OF YEAR	1,185,474	98,252	191,273	1,474,999
FUND BALANCE, END OF YEAR	$ 1,282,855	$ 185,920	$ 191,968	$ 1,660,743

See Notes to Financial Statements

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

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

	Major Fund			
	General Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local Sources	$ 888,171	$ 84,077	$ 68,242	$ 1,040,490
State Sources	2,332,386	-	702	2,333,088
Federal Sources	612,302	-	93,010	705,312
Interest Income	15,492	1,017	1,579	18,088
Miscellaneous Income	57,011	-	-	57,011
Total Revenues	3,905,362	85,094	163,533	4,153,989
EXPENDITURES				
Current				
Regular Instruction	2,191,686	-	-	2,191,686
Special Instruction	305,112	-	-	305,112
Vocational Instruction	194,837	-	-	194,837
Pupil Services	120,477	-	-	120,477
General Administration Services	235,817	-	-	235,817
School Administration Services	148,567	-	-	148,567
Operation and Maintenance	319,691	31,515	-	351,206
Pupil Transportation	69,328	-	-	69,328
Student Activities	281,352	-	-	281,352
School Food Services	-	-	135,493	135,493
Debt Service				
Principal	21,942	-	-	21,942
Facilities Acquisition and Construction	-	148,970	-	148,970
Total Expenditures	3,888,809	180,485	135,493	4,204,787
Excess (Deficiency) of Revenues over Expenditures	16,553	(95,391)	28,040	(50,798)
OTHER FINANCING SOURCES (USES)				
Operating Transfer In	20,195	-	-	20,195
Operating Transfer Out	-	-	(20,195)	(20,195)
Total Other Financing Sources (Uses)	20,195	-	(20,195)	-
NET CHANGE IN FUND BALANCE	36,748	(95,391)	7,845	(50,798)
FUND BALANCE, BEGINNING OF YEAR	1,148,726	193,643	183,428	1,525,797
FUND BALANCE, END OF YEAR	$ 1,185,474	$ 98,252	$ 191,273	$ 1,474,999

See Notes to Financial Statements

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

RECONCILIATION OF THE GOVERNMENTAL FUNDS 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 Funds		$ 185,744
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets with a cost greater than $5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year.		(72,972)
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 Decrease in Compensated Absences	237	
Net Decrease in Pension and OPEB Liability	10,077	
		10,314
Repayment of debt principal and other long-term liabilities is an expenditure in the governmental fund financial statements, but repayment reduces long-term liabilities in the statement of net position.		22,258
Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of a decrease in taxes receivable.		(1,124)
Change in Net Position of Governmental Activities		$ 144,220

See Notes to Financial Statements

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds		$	(50,798)
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.			288,534
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	(300)		
Net Increase in Pension and OPEB Liability	(41,368)		
			(41,668)
Repayment of debt principal and other long-term liabilities is an expenditure in the governmental fund financial statements, but repayment reduces long-term liabilities in the statement of net position.			21,942
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.			(21,554)
Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of a decrease in taxes receivable.			(61)
Change in Net Position of Governmental Activities		$	196,395

See Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the North Sargent Public School District No. 3, Gwinner, North Dakota (the "District") 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 North Sargent Public School District No. 3. The District has considered all potential component units for which the District is financially accountable and other organizations for which the nature and significance of their relationships with the District such that exclusion would cause the District's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. This criterion includes appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the District.

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

B. Basis of Presentation, Basis of Accounting

Government-wide statements – The statement of net position and the statement of activities display information about the primary government (the North Sargent Public School District No. 3). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, fees and other non-exchange transactions. The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund financial statements – The fund financial statements provide reports on the financial condition and results of operations for governmental fund categories. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

- General Fund
  - The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

- Capital Projects Fund
  - Used to account for financial resources related to capital outlays made by the District.

Additionally, the District reports the following governmental fund types that are included in nonmajor funds:

- Governmental Funds
  - Special Reserve Fund – Used to account for resources restricted to, or designated for, specific purposes by the District.

  - Food Service Fund – Used to account for food service revenues and expenditures

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

Government-wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on 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 District 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 District’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 District's policy to use restricted resources first, then unrestricted resources, as they are needed.

D. Cash and Investments

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

E. Capital Assets

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

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

Asset	Years
Buildings and Improvements	15 – 50
Vehicles	10
Machinery and Equipment	5 – 10

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 District 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 District 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 District uses its incremental borrowing rate based on the information available at the lease commencement date. The District has made an accounting policy election to use a risk free rate based on US Treasury Tbill rate as of the lease commencement. The District accounts for lease agreements with lease and non-lease components together as a single lease component for all underlying classes of assets.

The District 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 District is reasonably certain to exercise.

G. Compensated Absences

The expenditure for vacation pay is recognized when payment is made, employees are not allowed to carryover unused vacation days. Upon termination of employment with the District, an employee that has a minimum of five years of service in the District will be entitled to sick pay reimbursement at the rate of $25 per day, for a maximum of 80 days of unused, accumulated sick leave.

H. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the government activities statement of net position. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material. In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

I. 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 the North Dakota Public Employees Retirement System (NDPERS) additions to/deductions from TFFR and NDPERS fiduciary net position have been determined on the same basis as they are reported by TFFR and 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.

J. Other Post Employment Benefits (OPEB)

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

K. Fund Balance

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
    - Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. They include items such as, but not limited to, inventories, prepaid items, or the permanent principal of endowment funds.

- Restricted
  - Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed
  - A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the School Board. Formal action is required to be taken to establish, modify, or rescind a fund balance commitment.

- Assigned
  - Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes but are under the direction of the board and the business manager.

- Unassigned
  - Unassigned fund balance is the lowest classification for the General Fund. This is a fund balance that has not been reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

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

L. Net Position

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

M. Interfund Transactions

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

All other interfund transactions, except reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. In the government-wide financial statements, interfund transactions have been eliminated.

N. 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 District, 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 District uses its incremental borrowing rate based on the information available at the SBITA contract commencement date. The District 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 District 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 – For the years ended June 30, 2024 and 2023, general fund expenditures did not exceed appropriations.

NOTE 3 – DEPOSITS AND INVESTMENTS

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

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

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the State of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board. At year end June 30, 2024 and 2023, the District's carrying amounts of deposits were $1,501,247 and $1,390,307 and the bank balances were $1,827,131 and $1,698,551. Of the bank balances, $250,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by pledging financial institution's agent in the government's name.

Credit Risk

The District may invest idle funds as authorized in North Dakota Statues, as follows:

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

- Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.

- Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation.

- Obligations of the state.

As of June 30, 2024 and 2023, the District held certificates of deposit of $577,864 and $192,679.

Interest Rate Risk

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

Concentration of Credit Risk

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

NOTE 4 – TAXES RECEIVABLE

The taxes receivable represents the past five years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes receivable.

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authority. Any material tax collections are distributed after the end of each month.

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

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the discount on the property taxes.

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts for accrued interest and amounts on open account from other school districts and organizations for goods and services furnished by the District. No allowance has been established for uncollectible accounts.

NOTE 6 – DUE FROM COUNTY

Due from county represents the amount of taxes collected prior to year-end that are distributed to the District shortly after June 30, 2024.

NOTE 7 – DUE FROM STATE AND FEDERAL GOVERNMENT

The amount due from state and federal government consists of a reimbursement claim for various projects and Title Programs. Title programs are passed through the state.

NOTE 8 – CAPITAL ASSETS

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

	Balance July 1, 2023	Additions	Retirements	Balance June 30, 2024
Governmental Activities				
Capital Assets, being depreciated				
Buildings and Improvements	$ 3,274,892	$ -	$ -	$ 3,274,892
Vehicles	367,220	-	-	367,220
Equipment	198,711	65,485	-	264,196
Total Capital Assets, being depreciated	3,840,823	65,485	-	3,906,308
Less Accumulated Depreciation for				
Buildings and Improvements	1,604,092	89,292	-	1,693,384
Vehicles	269,064	25,446	-	294,510
Equipment	93,106	23,719	-	116,825
Total Accumulated Depreciation	1,966,262	138,457	-	2,104,719
Total Capital Assets Being Depreciated, net	1,874,561	(72,972)	-	1,801,589
Governmental Activities Capital Assets, net	$ 1,874,561	$ (72,972)	$ -	$ 1,801,589

	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023
Governmental Activities				
Capital Assets, not being depreciated				
Construction in Progress	$ 60,000	$ -	$ (60,000)	$ -
Total Capital Assets, not being depreciated	60,000	-	(60,000)	-
Capital Assets, being depreciated				
Buildings and Improvements	2,908,549	381,343	(15,000)	3,274,892
Vehicles	415,200	-	(47,980)	367,220
Equipment	155,143	100,529	(56,961)	198,711
Total Capital Assets, being depreciated	3,478,892	481,872	(119,941)	3,840,823
Less Accumulated Depreciation for				
Buildings and Improvements	1,529,800	89,292	(15,000)	1,604,092
Vehicles	291,598	25,446	(47,980)	269,064
Equipment	109,913	18,600	(35,407)	93,106
Total Accumulated Depreciation	1,931,311	133,338	(98,387)	1,966,262
Total Capital Assets Being Depreciated, net	1,547,581	348,534	(21,554)	1,874,561
Governmental Activities Capital Assets, net	$ 1,607,581	$ 348,534	$ (81,554)	$ 1,874,561

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

	2024	2023
Governmental Activities		
Regular Instruction	$ 22,553	$ 24,286
Vocational Instruction	19,244	19,244
General Administration Services	363	363
Operation and Maintenance	46,208	39,356
Pupil Transportation	19,868	19,868
Student Activities	24,146	24,146
School Food Services	6,075	6,075
Total Depreciation Expense - Governmental Activities	$ 138,457	$ 133,338

NOTE 9 – LONG-TERM LIABILITIES

During the years ended June 30, 2024 and 2023, the following changes occurred in liabilities reported in long-term liabilities:

	Long-term Liabilites at July 1, 2023	Increases	Decreases	Long-term Liabilites at June 30, 2024	Due Within One Year
Governmental Activities					
Notes Payable	$ 31,788	$ -	$ (22,258)	$ 9,530	$ 9,530
Compensated Absences*	25,781	-	(237)	25,544	-
Pension and OPEB Liability*	3,882,968	-	(363,878)	3,519,090	-
Total - Governmental Activities	$ 3,940,537	$ -	$ (386,373)	$ 3,554,164	$ 9,530

	Long-term Liabilites at July 1, 2022	Increases	Decreases	Long-term Liabilites at June 30, 2023	Due Within One Year
Governmental Activities					
Notes Payable	$ 53,730	$ -	$ (21,942)	$ 31,788	$ 22,078
Compensated Absences*	25,481	300	-	25,781	-
Pension and OPEB Liability*	2,663,644	1,219,324	-	3,882,968	-
Total - Governmental Activities	$ 2,742,855	$ 1,219,624	$ (21,942)	$ 3,940,537	$ 22,078

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

Outstanding debt at June 30, 2024 and 2023, is comprised of the following individual issue:

- Note Payable – From an original issuance of $88,825 at 1.15%. At June 30, 2024 and 2023, $9,530 and $31,788 remained outstanding. Principal and interest are payable through September 21, 2024.

NOTE 10 – DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the fund financial statements consist of amounts for which asset recognition criteria have been met. Under the modified accrual basis of accounting, such amounts are measurable but not available and include taxes receivables of $35,235 and $36,359. Deferred inflows of resources on the statement of net position consist of related pension and OPEB expense of $1,052,788 and $946,726.

NOTE 11 – DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources in the fund financial statements consist of amounts for which liability recognition criteria have been met, but for which expense recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. Deferred outflows of resources on the statement of net position consist of related pension and OPEB expense of $1,037,958 and $1,285,697.

NOTE 12 – RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (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 District pays an annual premium to NDIRF for its general liability, auto and public assets insurance coverage. The coverage by NDIRF is limited to losses of $2,000,000 per occurrence for general liability and auto coverage.

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of $2,000,000 per occurrence during a twelve-month period. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of $1,406,095 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

NOTE 13 – 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.

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 and 2023, the District reported a liability of $2,854,534 and $2,808,586 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 and 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial calculation as of that date. The District's proportion of the net pension liability was based on the Districts share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employees. At June 30, 2023 and 2022 the District's proportion was .203414% and .192890%.

For the year ended June 30, 2024, the District recognized pension expenses of $183,611. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 10,636	$ 151,518
Changes in assumptions	45,169	-
Net difference between projected and actual investment earnings	174,223	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	176,998	353,970
Employer contributions subsequent to the measurement date	193,268	-
Totals	$ 600,294	$ 505,488

$193,268 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

For the year ended June 30, 2023, the District recognized pension expenses of $141,552. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 12,103	$ 74,988
Changes in assumptions	57,110	-
Net difference between projected and actual investment earnings	210,367	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	77,672	451,172
Employer contributions subsequent to the measurement date	208,108	-
Totals	$ 565,360	$ 526,160

$208,108 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

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

Year ended June 30	
2025	$ (39,741)
2026	(96,272)
2027	129,700
2028	(29,090)
2029	(28,833)
Thereafter	(34,226)

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.

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, 2023, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of July 1, 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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the District'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 Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension liability	$ 3,974,314	$ 2,854,534	$ 1,925,300

Pension Plan Fiduciary Net Position

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

North Dakota Public Employees Retirement System

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

NDPERS is a cost-sharing multi-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 of $25
13 to 24 months of service	Greater of two percent of monthly salary of $25
25 to 36 months of service	Greater of three percent of monthly salary of $25
Longer than 36 months of service	Greater of four percent of monthly salary of $25

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

At June 30, 2024 and 2023, the District reported a liability of $626,354 and $1,029,422 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 and 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial calculation as of that date. The District's proportion of the net pension liability was based on the Districts share of covered payroll in the pension plan relative to the covered payroll of all participating NDPERS employees. At June 30, 2023 and 2022 the District's proportion was .032483% and .035743%.

For the year ended June 30, 2024, the District recognized pension expenses of $28,197. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 20,390	$ 3,454
Changes in assumptions	345,379	475,419
Net difference between projected and actual investment earnings	16,434	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,619	64,166
Employer contributions subsequent to the measurement date	33,280	-
Totals	$ 420,102	$ 543,039

$33,280 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

For the year ended June 30, 2023, the District recognized pension expenses of $134,346. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,370	$ 19,664
Changes in assumptions	615,610	381,644
Net difference between projected and actual investment earnings	37,677	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,377	17,901
Employer contributions subsequent to the measurement date	29,712	-
Totals	$ 695,746	$ 419,209

$29,712 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

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

Year ended June 30	
2025	$ (17,462)
2026	(90,110)
2027	(5,089)
2028	(43,556)
2029	-
Thereafter	-

Actuarial Assumptions

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

Inflation	2.25%
Salary increases	3.50% to 17.75% including inflation
Investment rate of return	6.50%, net of investment expenses
Cost-of-living-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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the District'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%)
District's proportionate share of the net pension liability	$ 863,592	$ 626,354	$ 429,547

Pension Plan Fiduciary Net Position

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

NOTE 14 – OTHER POST EMPLOYMENT BENEFITS

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. 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

At June 30, 2024 and 2023, the District reported a liability of $38,202 and $44,960 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023 and 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2023 and 2022, the District's proportion was .038212% and .037457%.

For the year ended June 30, 2024, the District recognized OPEB expenses of $7,561. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 719	$ 437
Changes in assumptions	8,148	3,164
Net difference between projected and actual investment earnings	2,759	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,311	660
Employer contributions subsequent to the measurement date	4,625	-
Totals	$ 17,562	$ 4,261

$4,625 reported as deferred outflows of resources related to OPEB resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2025.

For the year ended June 30, 2023, the District recognized OPEB expenses of $7,669. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,067	$ 387
Changes in assumptions	11,325	-
Net difference between projected and actual investment earnings	6,054	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,766	970
Employer contributions subsequent to the measurement date	4,379	-
Totals	$ 24,591	$ 1,357

$4,379 reported as deferred outflows of resources related to OPEB resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024.

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

Year ended June 30:	
2025	$ 3,164
2026	2,589
2027	3,953
2028	(1,030)
2029	-
Thereafter	-

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 of return	5.75%, net of investment expenses
Cost-of-living-adjustments	None

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2023 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/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. 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 District's Proportionate Share of the Net OPEB Liability to Change 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 percent, 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%)
District's proportionate share of the net pension liability	$ 50,207	$ 38,202	$ 28,096

NOTE 15 – JOINT VENTURE

The District participates in the following joint ventures:

South Valley Multi-District Special Education Unit

Formed for the purpose of providing special education services to the member school districts. The Unit's governing board is composed of representatives from the member school districts, who are school board members. The Board is responsible for adopting the Unit's budget and setting service fees at a level adequate to fund the adopted budget. The District retains no equity in the net assets of the Unit, but does have a responsibility to fund deficits of the Co-op in proportion to the relative participation. Separate financial statements for this joint venture are available from the South Valley Multi-District Special Education Unit.

Southeast Region Career and Technology Center

Formed for the purpose of providing vocational services to the member school districts. The Center's governing board is composed of representatives from the member school districts, who are school board members. The Board is responsible for adopting the Center's budget and setting service fees at a level adequate to fund the adopted budget. The District retains no equity in the net assets of the Center, but does have a responsibility to fund deficits of the Co-op in proportion to the relative participation. Separate financial statements for this joint venture are available from Southeast Region Career and Technology Center.

NOTE 16 – NONMONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its food service program. The market value of commodities received for the years ended June 30, 2024 and 2023 was $14,943 and $15,930.

NOTE 17 – TRANSFERS

The following is a summary of transfers for the years ended June 30, 2024 and 2023:

	2024		2023	
	Transfers In	Transfers Out	Transfers In	Transfers Out
Fund				
General Fund	$ 20,300	$ -	$ 20,195	$ -
Special Reserve	-	20,300	-	20,195
Totals	$ 20,300	$ 20,300	$ 20,195	$ 20,195

Transfers from the Special Reserve Fund to the General Fund were made in accordance with NDCC 57-19-02.

NOTE 18 – FUND BALANCE

The following is a summary of fund balances as of June 30, 2024 and 2023:

	2024	2023
Restricted		
Special Reserve	$ 157,120	$ 151,812
Capital Projects	185,920	98,252
Student Activities	173,451	127,196
Total Restricted	516,491	377,260
Assigned		
Food Service	34,848	39,461
Total Assigned	34,848	39,461
Unassigned	1,109,404	1,058,278
Total Fund Balance	$ 1,660,743	$ 1,474,999

NOTE 19 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through September 24, 2024, the date on which the financial statements were available to be issued.

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local Sources	$ 951,520	$ 951,520	$ 962,104	$ 10,584
State Sources	2,370,735	2,333,452	2,339,673	6,221
Federal Sources	430,630	467,640	467,640	-
Interest Income	23,112	23,112	23,975	863
Miscellaneous Income	18,893	32,893	30,938	(1,955)
Total Revenues	3,794,890	3,808,617	3,824,330	15,713
EXPENDITURES				
Current				
Regular Instruction	1,990,852	2,008,850	1,991,994	16,856
Special Instruction	284,388	284,388	281,339	3,049
Vocational Instruction	151,252	151,252	147,877	3,375
Pupil Services	241,368	220,707	220,337	370
General Administration Services	229,622	232,553	233,489	(936)
School Administration Services	176,992	178,802	173,613	5,189
Operation and Maintenance	340,308	327,513	310,613	16,900
Pupil Transportation	88,403	88,403	77,670	10,733
Student Activities	286,679	286,679	288,059	(1,380)
Debt Service				
Principal	21,942	21,942	22,258	(316)
Total Expenditures	3,811,806	3,801,089	3,747,249	53,840
Excess (Deficiency) of Revenues over Expenditures	(16,916)	7,528	77,081	69,553
OTHER FINANCING SOURCES				
Operating Transfer In	20,300	20,300	20,300	-
Total Other Financing Sources	20,300	20,300	20,300	-
NET CHANGE IN FUND BALANCE	3,384	27,828	97,381	69,553
FUND BALANCE, BEGINNING OF YEAR			1,185,474	
FUND BALANCE, END OF YEAR			$ 1,282,855	

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local Sources	$ 887,007	$ 906,683	$ 888,171	$ (18,512)
State Sources	2,328,675	2,336,210	2,332,386	(3,824)
Federal Sources	589,516	636,970	612,302	(24,668)
Interest Income	2,458	14,271	15,492	1,221
Miscellaneous Income	55,276	55,825	57,011	1,186
Total Revenues	3,862,932	3,949,959	3,905,362	(44,597)
EXPENDITURES				
Current				
Regular Instruction	2,141,292	2,237,797	2,191,686	46,111
Special Instruction	305,037	305,037	305,112	(75)
Vocational Instruction	192,019	192,019	194,837	(2,818)
Pupil Services	118,260	118,260	120,477	(2,217)
General Administration Services	249,588	249,588	235,817	13,771
School Administration Services	151,161	151,161	148,567	2,594
Operation and Maintenance	327,784	327,784	319,691	8,093
Pupil Transportation	85,250	85,250	69,328	15,922
Student Activities	285,929	285,929	281,352	4,577
Debt Service				
Principal	21,827	21,827	21,942	(115)
Total Expenditures	3,878,147	3,974,652	3,888,809	85,843
Excess (Deficiency) of Revenues over Expenditures	(15,215)	(24,693)	16,553	41,246
OTHER FINANCING SOURCES				
Operating Transfer In	20,195	20,195	20,195	-
Total Other Financing Sources	20,195	20,195	20,195	-
NET CHANGE IN FUND BALANCE	4,980	(4,498)	36,748	41,246
FUND BALANCE, BEGINNING OF YEAR			1,148,726	
FUND BALANCE, END OF YEAR			$ 1,185,474	

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, 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	0.203414%	2,854,534	1,632,223	174.89%	69.34%
2023	0.192890%	2,808,586	1,517,878	185.03%	67.50%
2022	0.216013%	2,276,034	1,664,812	136.71%	75.70%
2021	0.212123%	3,246,542	1,547,775	209.76%	63.39%
2020	0.226101%	3,113,988	1,586,165	196.32%	65.51%
2019	0.235930%	3,144,614	1,603,875	196.06%	65.50%
2018	0.225950%	3,103,475	1,525,095	203.49%	63.22%
2017	0.233129%	3,415,479	1,514,698	225.49%	59.18%
2016	0.206517%	2,700,943	1,270,298	212.62%	62.09%
2015	0.204943%	2,147,439	1,188,780	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	208,109	(208,109)	-	1,632,223	12.75%
2023	193,530	(193,530)	-	1,517,878	12.75%
2022	212,264	(212,264)	-	1,664,812	12.75%
2021	197,343	(197,343)	-	1,547,775	12.75%
2020	202,236	(202,236)	-	1,586,165	12.75%
2019	204,494	(204,494)	-	1,603,875	12.75%
2018	194,450	(194,450)	-	1,525,095	12.75%
2017	193,124	(193,124)	-	1,514,698	12.75%
2016	161,955	(161,955)	-	1,270,298	12.75%
2015	127,793	(127,793)	-	1,188,780	10.75%

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

NDPERS 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	0.032483%	626,354	397,223	157.68%	65.31%
2023	0.035743%	1,029,422	414,914	248.10%	54.47%
2022	0.035344%	368,391	400,230	92.04%	78.26%
2021	0.036420%	1,145,781	401,753	285.20%	48.91%
2020	0.035892%	420,680	373,336	112.68%	71.66%
2019	0.038644%	652,160	397,001	164.27%	62.80%
2018	0.038233%	614,530	390,298	157.45%	61.98%
2017	0.308100%	300,273	310,490	96.71%	70.46%
2016	0.041357%	281,221	368,437	76.33%	77.15%
2015	0.038341%	243,359	322,980	75.35%	77.70%

	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	30,050	(28,223)	1,827	397,223	7.11%
2023	31,250	(29,863)	1,387	414,914	7.20%
2022	29,515	(30,880)	(1,365)	400,230	7.72%
2021	28,448	(28,135)	313	401,753	7.00%
2020	27,181	(27,625)	(444)	373,336	7.40%
2019	29,240	(26,504)	2,736	397,001	6.68%
2018	28,301	(28,568)	(267)	390,298	7.32%
2017	22,479	(27,604)	(5,125)	310,490	8.89%
2016	27,986	(26,232)	1,754	368,437	7.12%
2015	22,996	(22,996)	-	322,980	7.12%

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

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

OPEB SCHEDULES
Year Ended June 30, 2024

NDPERS Schedule of Employer's Share of Net OPEB 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	0.032483%	626,354	397,223	157.68%	65.31%
2023	0.035743%	1,029,422	414,914	248.10%	54.47%
2022	0.035344%	368,391	400,230	92.04%	78.26%
2021	0.036420%	1,145,781	401,753	285.20%	48.91%
2020	0.035892%	420,680	373,336	112.68%	71.66%
2019	0.038644%	652,160	397,001	164.27%	62.80%
2018	0.038233%	614,530	390,298	157.45%	61.98%
2017	0.308100%	300,273	310,490	96.71%	70.46%
2016	0.041357%	281,221	368,437	76.33%	77.15%
2015	0.038341%	243,359	322,980	75.35%	77.70%

	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	30,050	(28,223)	1,827	397,223	7.11%
2023	31,250	(29,863)	1,387	414,914	7.20%
2022	29,515	(30,880)	(1,365)	400,230	7.72%
2021	28,448	(28,135)	313	401,753	7.00%
2020	27,181	(27,625)	(444)	373,336	7.40%
2019	29,240	(26,504)	2,736	397,001	6.68%
2018	28,301	(28,568)	(267)	390,298	7.32%
2017	22,479	(27,604)	(5,125)	310,490	8.89%
2016	27,986	(26,232)	1,754	368,437	7.12%
2015	22,996	(22,996)	-	322,980	7.12%

*Complete data for these schedules in not available prior to 2018
**The measurement date of the net pension liability is June 30th of the prior year

NOTE 1 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

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

- The annual budget must be prepared, and District taxes must be levied on or before the 15th day of August of each year.
- The taxes levied must be certified to the county auditor by October 10th.
- 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, except for property taxes, 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.
- 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.

NOTE 3 – NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM CHANGES OF ASSUMPTIONS

Changes of Benefit Terms

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

Changes of Assumptions

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

NOTE 4 – NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM CHANGE OF ASSUMPTIONS OPEB

Changes of Benefit Terms

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2022.

Changes of Assumptions

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

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEET
June 30, 2024

	Special Reserve	Food Service	Total Other Governmental Funds
ASSETS			
Cash and Cash Equivalents	$ 157,091	$ 34,848	$ 191,939
Due from County	29	-	29
Taxes Receivable	1,008	-	1,008
Total Assets	158,128	34,848	192,976
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	1,008	-	1,008
Total Deferred Inflows of Resources	1,008	-	1,008
FUND BALANCE			
Restricted	157,120	-	157,120
Assigned	-	34,848	34,848
Fund Balance	157,120	34,848	191,968
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$ 158,128	$ 34,848	$ 192,976

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEET
June 30, 2023

	Special Reserve	Food Service	Total Other Governmental Funds
ASSETS			
Cash and Cash Equivalents	$ 151,716	$ 39,461	$ 191,177
Due from County	96	-	96
Taxes Receivable	1,068	-	1,068
Total Assets	152,880	39,461	192,341
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	1,068	-	1,068
Total Deferred Inflows of Resources	1,068	-	1,068
FUND BALANCE			
Restricted	151,812	-	151,812
Assigned	-	39,461	39,461
Fund Balance	151,812	39,461	191,273
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$ 152,880	$ 39,461	$ 192,341

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

NONMAJOR GOVERNMENTAL FUNDS – COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Year Ended June 30, 2024

	Special Reserve	Food Service	Total Other Governmental Funds
REVENUES			
Local Sources	$ 23,798	$ 43,869	$ 67,667
State Sources	-	7,372	7,372
Federal Sources	-	89,728	89,728
Interest Income	1,810	109	1,919
Total Revenues	25,608	141,078	166,686
EXPENDITURES			
Current			
School Food Services	-	145,691	145,691
Total Expenditures	-	145,691	145,691
Excess (Deficiency) of Revenues over Expenditures	25,608	(4,613)	20,995
OTHER FINANCING SOURCES (USES)			
Operating Transfer Out	(20,300)	-	(20,300)
Total Other Financing Sources (Uses)	(20,300)	-	(20,300)
NET CHANGE IN FUND BALANCE	5,308	(4,613)	695
FUND BALANCE, BEGINNING OF YEAR	151,812	39,461	191,273
FUND BALANCE, END OF YEAR	$ 157,120	$ 34,848	$ 191,968

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

NONMAJOR GOVERNMENTAL FUNDS – COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Year Ended June 30, 2023

	Special Reserve	Food Service	Total Other Governmental Funds
REVENUES			
Local Sources	$ 23,488	$ 44,754	$ 68,242
State Sources	-	702	702
Federal Sources	-	93,010	93,010
Interest Income	1,474	105	1,579
Total Revenues	24,962	138,571	163,533
EXPENDITURES			
Current			
School Food Services	-	135,493	135,493
Total Expenditures	-	135,493	135,493
Excess of Revenues over Expenditures	24,962	3,078	28,040
OTHER FINANCING SOURCES (USES)			
Operating Transfer Out	(20,195)	-	(20,195)
Total Other Financing Sources (Uses)	(20,195)	-	(20,195)
NET CHANGE IN FUND BALANCE	4,767	3,078	7,845
FUND BALANCE, BEGINNING OF YEAR	147,045	36,383	183,428
FUND BALANCE, END OF YEAR	$ 151,812	$ 39,461	$ 191,273

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

School Board
North Sargent Public School District No. 3
Gwinner, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Sargent Public School District No. 3 (the "District"), as of and for the year ended June 30, 2024, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 24, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Nadine Julson, LLC

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Report on Compliance and Other Matters

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

District's Response to Findings

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

Purpose of this Report

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

Nadine Julson, LLC

Nadine Julson, LLC
Wahpeton, North Dakota
September 24, 2024

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

SCHEDULE OF CURRENT YEAR FINDINGS
Years ended June 30, 2024 and 2023

2024-001 INADEQUATE SEGREGATION OF DUTIES

Criteria

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

Condition

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

Effect or Potential Effect

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

Recommendation

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

Views of Responsible Officials

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

2024-002 FINANCIAL STATEMENT PREPARATION

Criteria

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

Condition

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

Effect or Potential Effect

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

Recommendation

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

Views of Responsible Officials

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

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Years ended June 30, 2024 and 2023

Prior Financial Statement Findings

2022-001

A material weakness was reported for inadequate segregation of duties.

Recommendation

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

2022-002

A material weakness was reported for financial statement preparation.

Recommendation

The accounting functions should be reviewed to determine if it is feasible for the District to prepare its own financial statements. This material weakness continues to exist under the current audit findings as number 2024-002.