

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota
AUDITED FINANCIAL STATEMENTS
Year Ended June 30, 2024

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

TABLE OF CONTENTS
June 30, 2024

	<u>Page(s)</u>
Official Directory	1
INDEPENDENT AUDITOR’S REPORT	2 – 4
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	5
Statement of Activities	6
Balance Sheet – Governmental Funds	7
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	8
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	9
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	10
Notes to Financial Statements	11 – 23
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	24
Pension Schedules	25
Notes to Required Supplementary Information	26
SUPPLEMENTARY INFORMATION	
Nonmajor Governmental Funds – Combining Balance Sheet	27
Nonmajor Governmental Funds – Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance	28
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 <i>GOVERNMENT AUDITING STANDARDS</i>	29 – 30
Schedule of Current Year Findings	31 – 32
Summary Schedule of Prior Audit Findings	33

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

OFFICIAL DIRECTORY
June 30, 2024

Mike Schwehr	President
Jennifer Bollingberg	Vice-President
Michele Elston	Board Member
Cindy Christianson	Board Member
Kody Aman	Board Member
Tyler Schlecht	Board Member
Lee Guscette	Board Member
Eric Broten	Board Member
DJ Morast	Board Member
Andrew Currie	Superintendent
Lindsay Polk	Business Manager



INDEPENDENT AUDITOR'S REPORT

School Board
Barnes County North Public School District
Wimbledon, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Barnes County North Public School District (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 as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), 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.

Emphasis of Matter – Change in Accounting and Correction

As discussed in Note 16, the District has changed from the modified cash basis of accounting to accounting principles generally accepted in the United States of America. Accordingly, a restatement has been made to the governmental activities and governmental funds as of July 1, 2023, to restate beginning net position and fund balance. Our opinions are not modified with respect to these matters.

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.

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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America 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 – 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 GAAS. In our opinion, the nonmajor governmental funds – combining balance sheet and nonmajor governmental funds – schedule of revenues, expenditures, and changes in fund balance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the official directory but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2025 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
Wahpeton, North Dakota
May 7, 2025

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

STATEMENT OF NET POSITION
June 30, 2024

	Primary Government	BCN Education Foundation
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 3,471,697	\$ 298,250
Due from State Government	3,031	-
Due from Federal Government	136,311	-
Taxes Receivable	143,079	-
Total Current Assets	3,754,118	298,250
Capital Assets		
Non-depreciable		
Land	126,020	-
Depreciable, net of accumulated depreciation		
Buildings and Improvements	11,779,520	-
Vehicles	285,514	-
Equipment	82,284	-
Total Capital Assets	12,273,338	-
Total Assets	16,027,456	298,250
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pension	508,865	-
Total Assets and Deferred Outflows of Resources	16,536,321	298,250
LIABILITIES		
Current Liabilities		
Payroll Liabilities	43,462	-
Current Portion of Long-term Debt		
Notes Payable	22,683	-
Total Current Liabilities	66,145	-
Due After One Year		
General Obligation Bonds Payable	8,190,000	-
Compensated Absences	45,801	-
Pension Liability	3,129,821	-
Total Long-term Liabilities	11,365,622	-
Total Liabilities	11,431,767	-
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pension	274,688	-
Total Liabilities and Deferred Inflows of Resources	11,706,455	-
NET POSITION		
Net Investment in Capital Assets	4,060,655	-
Restricted	1,366,070	298,250
Unrestricted (Deficit)	(596,859)	-
Total Net Position	\$ 4,829,866	\$ 298,250

See Notes to Financial Statements

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

STATEMENT OF ACTIVITIES
Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	BCN Education Foundation
Regular Instruction	\$ 2,463,166	\$ -	\$ 519,902	\$ (1,943,264)	\$ -
Special Instruction	131,893	-	-	(131,893)	-
Vocational Instruction	166,666	-	-	(166,666)	-
Pupil Services	213,839	-	-	(213,839)	-
General Administration Services	186,462	-	-	(186,462)	-
School Administration Services	266,210	-	-	(266,210)	-
Operation and Maintenance	371,059	-	-	(371,059)	-
Pupil Transportation	469,636	-	193,020	(276,616)	-
Student Activities	181,190	25,663	45,262	(110,265)	-
School Food Services	329,476	81,364	120,750	(127,362)	-
Community Services	78,279	-	-	(78,279)	-
Interest and Other Charges	255,911	-	-	(255,911)	-
	<u>\$ 5,113,787</u>	<u>\$ 107,027</u>	<u>\$ 878,934</u>	(4,127,826)	-
BCN Education Foundation					
Regular Instruction	<u>\$ 7,596</u>	<u>\$ -</u>	<u>\$ 400</u>		(7,196)
General Revenues					
Taxes					
Taxes Levied for General Purposes				3,048,176	-
Taxes Levied for Building Purposes				212	-
State Aid, not restricted for specific purpose				1,560,814	-
Interest and Investment Earnings				87,981	12,532
Gain on Sale of Assets				7,000	-
Miscellaneous				59,647	-
Total General Revenues				<u>4,763,830</u>	<u>12,532</u>
Change in Net Position				636,004	5,336
Net Position, Beginning of Year				<u>4,193,862</u>	<u>292,914</u>
Net Position, End of Year				<u>\$ 4,829,866</u>	<u>\$ 298,250</u>

See Notes to Financial Statements

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2024

	Major Funds		Other	Total
	General Fund	Capital Projects	Governmental Funds	Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 2,148,362	\$ 1,162,359	\$ 160,976	\$ 3,471,697
Due from State Government	3,031	-	-	3,031
Due from Federal Government	136,311	-	-	136,311
Taxes Receivable	142,183	-	896	143,079
Total Assets	2,429,887	1,162,359	161,872	3,754,118
LIABILITIES				
Payroll Liabilities	43,462	-	-	43,462
Total Liabilities	43,462	-	-	43,462
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	135,543	-	870	136,413
Total Deferred Inflows of Resources	135,543	-	870	136,413
FUND BALANCE				
Restricted	91,916	1,162,359	110,925	1,365,200
Assigned	-	-	50,077	50,077
Unassigned	2,158,966	-	-	2,158,966
Fund Balance	2,250,882	1,162,359	161,002	3,574,243
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 2,429,887	\$ 1,162,359	\$ 161,872	\$ 3,754,118

See Notes to Financial Statements

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

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

Total Fund Balance - Governmental Funds June 30, 2024		\$	3,574,243
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	17,216,093		
Less Accumulated Depreciation	(4,942,755)		
Net Capital Assets			12,273,338
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.			
			136,413
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	(45,801)		
General Obligation Bonds Payable	(8,190,000)		
Notes Payable	(22,683)		
Pension Liability (net of related outflows and inflows)	(2,895,644)		
Total Long-term Liabilities			(11,154,128)
Total Net Position of Governmental Activities June 30, 2024		\$	4,829,866

See Notes to Financial Statements

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

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

	Major Funds		Other	Total
	General Fund	Capital Projects	Governmental Funds	Governmental Funds
REVENUES				
Local Sources	\$ 3,122,949	\$ 212	\$ 83,101	\$ 3,206,262
State Sources	1,770,856	-	4,191	1,775,047
Federal Sources	502,880	-	116,559	619,439
Interest Income	54,704	31,572	1,705	87,981
Miscellaneous Income	37,861	28,261	525	66,647
Total Revenues	5,489,250	60,045	206,081	5,755,376
EXPENDITURES				
Current				
Regular Instruction	2,170,086	-	-	2,170,086
Special Instruction	131,893	-	-	131,893
Vocational Instruction	166,666	-	-	166,666
Pupil Services	213,839	-	-	213,839
General Administration Services	186,462	-	-	186,462
School Administration Services	266,210	-	-	266,210
Operation and Maintenance	262,791	99,180	-	361,971
Pupil Transportation	394,361	-	-	394,361
Student Activities	181,190	-	-	181,190
School Food Services	122,387	-	207,089	329,476
Community Services	78,279	-	-	78,279
Debt Service				
Principal	794,164	-	-	794,164
Interest and Other Charges	255,911	-	-	255,911
Total Expenditures	5,224,239	99,180	207,089	5,530,508
Excess (Deficiency) of Revenues over Expenditures	265,011	(39,135)	(1,008)	224,868
FUND BALANCE, BEGINNING OF YEAR	1,985,871	1,201,494	162,010	3,349,375
FUND BALANCE, END OF YEAR	\$ 2,250,882	\$ 1,162,359	\$ 161,002	\$ 3,574,243

See Notes to Financial Statements

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, 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 June 30, 2024		\$	224,868
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.			
			(390,780)
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	19,047		
Net Increase in Pension Liability	(5,710)		
			13,337
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.			
			794,164
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.			
			(5,585)
Change in Net Position of Governmental Activities June 30, 2024		\$	636,004

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Barnes County North Public School District, Wimbledon, 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 District. 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, the Barnes County North Public School District Education Foundation (BCN Foundation) is to be included in the District as a reporting entity.

The BCN Foundation was formed to complement the District’s efforts to provide quality education. Board members of the District sit on the nominating committee of the BCN Foundation that nominates board members. Thus, the entity was included as a discretely presented component unit of the District.

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 (Barnes County North Public School District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, 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 two fund categories - governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the district-wide statements. 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.

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

Additionally, the District reports the following governmental fund types that are included in non-major 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:

Assets	Years
Buildings/Improvements	20 - 50
Equipment	10
Busses/Vehicles	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. Vacation Pay and Sick Pay

Full time employees are allowed up to 96 hours of sick leave per year that accumulates to a maximum 640 hours. Vacation leave for full time employees between 1-9 years of service are allowed 80 hours per year accumulative to 160 hours, 10-19 years of service are allowed 120 hours per year accumulative to 240 hours, 20 or more years of service are allowed 160 hours per year accumulative to 320 hours.

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 Plan

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) additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by TFFR. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

J. Fund Balance and Net Position

In the fund financial statements, governmental funds report fund balance in the classifications that disclose constraints for which amounts 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.

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

- 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 in the following order: committed, assigned, and then unassigned.

K. 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.

L. 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.

M. 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 – General fund expenditures did not exceed budgeted amounts for the year ended June 30, 2024.

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. For the year ended June 30, 2024, the District's carrying amounts of deposits was \$3,769,947. The bank balances were \$4,868,501 and of the bank balances, \$500,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the District's name.

Credit Risk:

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

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

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.

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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 – DUE FROM STATE AND FEDERAL GOVERNMENT

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

NOTE 6 – CAPITAL ASSETS

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

	Balance July 1, 2023	Additions	Retirements	Balance June 30, 2024
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$ 126,020	\$ -	\$ -	\$ 126,020
Total Capital Assets, not being depreciated	126,020	-	-	126,020
Capital Assets, being depreciated				
Buildings and Improvements	15,464,591	-	-	15,464,591
Vehicles	1,428,686	22,638	(64,250)	1,387,074
Equipment	232,175	6,233	-	238,408
Total Capital Assets, being depreciated	17,125,452	28,871	(64,250)	17,090,073
Less Accumulated Depreciation for				
Buildings and Improvements	3,375,397	309,674	-	3,685,071
Vehicles	1,077,256	88,554	(64,250)	1,101,560
Equipment	134,701	21,423	-	156,124
Total Accumulated Depreciation	4,587,354	419,651	(64,250)	4,942,755
Total Capital Assets Being Depreciated, net	12,538,098	(390,780)	-	12,147,318
Governmental Activities Capital Assets, net	\$ 12,664,118	\$ (390,780)	\$ -	\$ 12,273,338

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

Governmental Activities	
Regular Instruction	\$ 306,417
Operation and Maintenance	15,321
Pupil Transportation	97,913
Total Depreciation Expense - Governmental Activities	<u>\$ 419,651</u>

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

NOTE 7 – LONG-TERM LIABILITIES

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

	Long-term Liabilities at July 1, 2023	Increases	Decreases	Long-term Liabilities at June 30, 2024	Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	\$ 8,980,000	\$ -	\$ (790,000)	\$ 8,190,000	\$ -
Notes Payable	26,847	-	(4,164)	22,683	22,683
Compensated Absences*	64,848	-	(19,047)	45,801	-
Pension Liability*	3,233,374	-	(103,553)	3,129,821	-
Total - Governmental Activities	<u>\$ 12,305,069</u>	<u>\$ -</u>	<u>\$ (916,764)</u>	<u>\$ 11,388,305</u>	<u>\$ 22,683</u>

Outstanding debt at June 30, 2024 is comprised of the following issuances:

- General Taxable State Aid Refunding Certificates of Indebtedness, Series 2019
 - From an original issuance of \$11,805,000 at interest rates of 2.50-3.00%. At June 30, 2024, \$8,190,000 remained outstanding. The principal and interest are payable through August 1, 2033.
- Note Payable
 - From an original issuance of \$38,491 at 3.60%. At June 30, 2024, \$22,683 remained outstanding. The principal and interest are payable through August 1, 2024.

The debt service requirements are as follows:

Long-term Liabilities			
Year Ending June 30	Principal	Interest	Payment
2025	\$ 22,683	\$ 243,911	\$ 266,594
2026	815,000	219,019	1,034,019
2027	840,000	196,294	1,036,294
2028	860,000	174,614	1,034,614
2029	885,000	151,487	1,036,487
2030 - 2034	4,790,000	362,116	5,152,116
	<u>\$ 8,212,683</u>	<u>\$ 1,347,441</u>	<u>\$ 9,560,124</u>

NOTE 8 – 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 (NDRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The District pays an annual premium to NDRF for its general liability, auto and public assets insurance coverage. The coverage by NDRF is limited to losses of \$2,000,000 per occurrence for general liability and 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.

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

NOTE 9 – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. Contributions made to pension plans after the measurement date and prior to the fiscal year-end, and changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category. The District reports unavailable revenues from property taxes on the government-wide statement of net position and the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items is changes in the net pension liability reported in the government-wide statement of net position.

NOTE 10 – PENSION PLAN

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.

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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.

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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

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

At June 30, 2024, the District reported a liability of \$3,129,821 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial calculation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employees. At June 30, 2023, the District's proportion was .223031%, which was an increase of .000967% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the District recognized pension expenses of \$223,559. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,662	\$ 166,131
Changes in assumptions	49,525	-
Net difference between projected and actual investment earnings	191,025	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	38,804	108,557
Employer contributions subsequent to the measurement date	217,849	-
Totals	<u>\$ 508,865</u>	<u>\$ 274,688</u>

\$217,849 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.

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	\$ (27,842)
2026	(50,438)
2027	184,195
2028	(28,735)
2029	(28,442)
Thereafter	(32,410)

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

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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 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 pension plan's target asset allocation as of June 30, 2023 are 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% 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 the 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	\$ 4,357,592	\$ 3,129,821	\$ 2,110,973

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

Pension Plan Fiduciary Net Position

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

NOTE 11 – RETIREMENT PLAN

The District established a 403(b) retirement plan for employees. For the year ended June 30, 2024 the amount the District contributed was \$16,653.

NOTE 12 – JOINT VENTURE

The District participates in the following joint ventures:

Sheyenne Valley 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 superintendents. 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 Unit in proportion to the relative participation described above. Separate financial statements for this joint venture are available from the Unit.

Sheyenne Valley Area 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 Center in proportion to the relative participation. Separate financial statements for this joint venture are available from the Center.

NOTE 13 – 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 year ended June 30, 2024 was \$11,635.

NOTE 14 – CONCENTRATIONS

The District receives a substantial amount of its support from federal and state governments. A significant reduction in this support may have a material effect on the District's programs and its continued operations.

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

NOTE 15 – FUND BALANCE

The following is a summary of fund balance as of June 30, 2024:

Restricted	
Special Reserve	\$ 110,925
Capital Projects	1,162,359
Student Activities	91,916
Total Restricted	<u>1,365,200</u>
Assigned	
Food Service	50,077
Total Assigned	<u>50,077</u>
Unassigned	<u>2,158,966</u>
Total Fund Balance	<u><u>\$ 3,574,243</u></u>

NOTE 16 – CHANGE IN ACCOUNTING AND CORRECTION

In 2024, management adopted a policy of preparing its financial statements with accounting principles generally accepted in the United States of America. Prior to this, the District's financial statements were prepared in accordance with the modified cash basis of accounting. Management believes that this change results in more relevant financial reporting for the District and for the needs of the users of the financial statements. Management also corrected errors in capital assets and long-term liabilities. As a result, beginning net position and fund balance have been restated as follows:

Net Position July 1, 2023 as previously reported	\$ 6,884,328
Restatement for:	
Receivables	267,883
Capital Assets	(2,816)
Accumulated Depreciation	26,096
Notes Payable	(26,847)
Compensated Absences	(64,848)
Pension Liability, net of deferred outflows and inflows	<u>(2,889,934)</u>
Net position July 1, 2023 as restated	<u><u>\$ 4,193,862</u></u>
General Fund Balance July 1, 2023 as previously reported	\$ 3,223,490
Restatement for:	
Receivables	<u>125,885</u>
General Fund Balance July 1, 2023 as restated	<u><u>\$ 3,349,375</u></u>

NOTE 17 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through May 7, 2025, the date on which the financial statements were available to be issued.

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

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

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Local Sources	\$ 2,719,929	\$ 3,122,949	\$ 403,020
State Sources	2,073,430	1,770,856	(302,574)
Federal Sources	477,582	502,880	25,298
Interest Income	15,000	54,704	39,704
Miscellaneous Income	-	37,861	37,861
Total Revenues	5,285,941	5,489,250	203,309
EXPENDITURES			
Current			
Regular Instruction	2,343,419	2,170,086	173,333
Special Instruction	158,000	131,893	26,107
Vocational Instruction	172,142	166,666	5,476
Pupil Services	268,986	213,839	55,147
General Administration Services	204,903	186,462	18,441
School Administration Services	348,640	266,210	82,430
Operation and Maintenance	314,084	262,791	51,293
Pupil Transportation	625,630	394,361	231,269
Student Activities	220,747	181,190	39,557
School Food Services	157,685	122,387	35,298
Community Services	104,627	78,279	26,348
Debt Service			
Principal	794,534	794,164	370
Interest and Other Charges	255,911	255,911	-
Total Expenditures	5,969,308	5,224,239	745,069
Excess (Deficiency) of Revenues over Expenditures	(683,367)	265,011	948,378
FUND BALANCE, BEGINNING OF YEAR		1,985,871	
FUND BALANCE, END OF YEAR		\$ 2,250,882	

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, 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	0.223031%	3,129,821	1,789,632	174.89%	69.34%
2023	0.222064%	3,233,374	1,747,452	185.03%	67.50%
2022	0.234659%	2,354,561	1,722,751	136.67%	75.70%
2021	0.230315%	3,524,984	1,680,520	209.76%	63.40%
2020	0.225605%	3,107,155	1,582,685	196.32%	65.50%
2019	0.229297%	3,056,212	1,558,787	196.06%	65.50%
2018	0.240127%	3,298,213	1,620,792	203.49%	63.20%
2017	0.244265%	3,578,622	1,587,049	225.49%	59.20%
2016	0.268631%	3,513,304	1,652,365	212.62%	62.10%
2015	0.289860%	3,037,219	1,681,343	180.64%	66.60%

	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	228,178	(228,178)	-	1,789,632	12.75%
2023	222,800	(222,800)	-	1,747,452	12.75%
2022	219,587	(219,587)	-	1,722,751	12.75%
2021	214,268	(214,268)	-	1,680,520	12.75%
2020	201,792	(201,792)	-	1,582,685	12.75%
2019	198,745	(198,745)	-	1,558,787	12.75%
2018	206,651	(206,651)	-	1,620,792	12.75%
2017	202,349	(202,349)	-	1,587,049	12.75%
2016	210,666	(210,666)	-	1,652,365	12.75%
2015	180,743	(180,743)	-	1,681,343	10.75%

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

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2024

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.

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEET
June 30, 2024

	Special Reserve	Food Service	Total Other Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 110,899	\$ 50,077	\$ 160,976
Taxes Receivable	896	-	896
Total Assets	111,795	50,077	161,872
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	870	-	870
Total Deferred Inflows of Resources	870	-	870
FUND BALANCE			
Restricted	110,925	-	110,925
Assigned	-	50,077	50,077
Fund Balance	110,925	50,077	161,002
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 111,795	\$ 50,077	\$ 161,872

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, 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	\$ 1,737	\$ 81,364	\$ 83,101
State Sources	-	4,191	4,191
Federal Sources	-	116,559	116,559
Interest Income	1,578	127	1,705
Miscellaneous Income	-	525	525
Total Revenues	3,315	202,766	206,081
EXPENDITURES			
Current			
School Food Services	-	207,089	207,089
Total Expenditures	-	207,089	207,089
Excess (Deficiency) of Revenues over Expenditures	3,315	(4,323)	(1,008)
FUND BALANCE, BEGINNING OF YEAR	107,610	54,400	162,010
FUND BALANCE, END OF YEAR	\$ 110,925	\$ 50,077	\$ 161,002



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
Barnes County North Public School District
Wimbledon, 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Barnes County North Public School District (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 May 7, 2025.

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 current year findings that we consider to be material weaknesses (2024-001 and 2024-002).

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 audit and described in the accompanying schedule of current year audit findings. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
Wahpeton, North Dakota
May 7, 2025

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

SCHEDULE OF CURRENT YEAR FINDINGS
Year ended June 30, 2024

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.

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 of 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.

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Schedule of Current Year Findings – Continued

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.

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

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

Prior Financial Statement Findings

2023-001

A material weakness was reported for inadequate segregation of duties.

Corrective Action Plan

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.

2023-002

A material weakness was reported for financial statement preparation.

Corrective Action Plan

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 finding 2024-002.