HAGA KOMMER
CERTIFIED PUBLIC ACCOUNTANTS

ROUGHRIDER EDUCATION SERVICES PROGRAM

AUDIT REPORT

June 30, 2023

Roughrider Education Services Program
Table of Contents
For The Year Ended June 30, 2023

Roughrider Education Services Program
Dickinson, North Dakota

OFFICIALS
2022 - 2023

Riley Mattson, *Program Director*

Yvonn Weigel – Frank, *Business Manager*

Administrative Board

Daren Kurle (Chairperson)	Brent Bautz
Troy Walters (Vice-Chairperson)	Connie Gaebe
Jessica Geis	Kelly Pierce
Wayne Heckaman	Dr. Marcus Lewton
Peter Remboldt	Kelly Peters
Libby Almy	Shae Peplinski
Myron Schaff	Calvin Dean
Darin Seamands	Zachary Slayton
Jeff Simmons	

Governing Board

Daren Kurle (Chairperson)	Andrea Bowman	April Dutchuk
Troy Walters (Vice-Chairperson)	Melanie Kathrein	Wayne Heckaman
Anita Gegelman	Julie Miller	Kim Schwartz
Connie Gaebe		Kelly Peters

HAGA KOMMER
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Governing Board
Roughrider Education Services Program
Dickinson, North Dakota

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Roughrider Education Services Program, Dickinson, North Dakota, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Program’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities and the major fund of the Roughrider Education Services Program as of June 30, 2023, and the respective changes in financial position – modified cash basis, thereof for the year then ended in conformity with the modified cash basis of accounting.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Roughrider Education Services Program, 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 these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional 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 Roughrider Education Services Program'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 Roughrider Education Services Program'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.

Emphasis of Matter — Basis of Accounting

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

Disclaimer of Opinion on Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Roughrider Education Services Program basic financial statements. The Program's share of net pension liability and employer contributions – ND Teacher's Fund for Retirement on page 32, the Program's share of net pension liability and employer contributions – ND Public Employees Retirement System on page 33, the Program's share of net OPEB liability and employer contributions – ND Public Employees Retirement System on page 34, the budgetary comparison information on page 35, and the Notes to Other Information on pages 36 and 37, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2023, on our consideration of Roughrider Education Services Program'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 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 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 Roughrider Education Services Program's internal control over financial reporting and compliance.

Haga Kommer, Ltd.

Haga Kommer, Ltd.
Mandan, North Dakota
November 30, 2023

Roughrider Education Services Program
Statement of Net Position - Modified Cash Basis
June 30, 2023

	Governmental Activities
ASSETS	
Current Assets:	
Cash	$ 252,106
Noncurrent Assets:	
Capital Assets, Net of Accumulated Depreciation	21,012
ROU Lease Asset, Net of Accumulated Amortization	23,887
TOTAL ASSETS	297,005
DEFERRED OUTFLOWS OF RESOURCES	
Derived from Pensions and OPEB	67,816
LIABILITIES	
Current Liabilities:	
Accrued Salaries & Benefits	23,277
Credit Cards Payable	908
Lease Liability	9,339
Long-Term Liabilities:	
Due After One Year	
Net Pension and OPEB Liability	382,487
Lease Liability	14,697
TOTAL LIABILITIES	430,708
DEFERRED INFLOWS OF RESOURCES	
Derived from Pensions and OPEB	126,532
NET POSITION	
Net Investment in Capital Assets	21,012
Unrestricted	(213,431)
TOTAL NET POSITION	$ (192,419)

The accompanying notes are an integral part of this statement.

Roughrider Education Services Program
Statement of Activities - Modified Cash Basis
For the Year Ended June 30, 2023

		Program Receipts		Net (Disbursement) Receipts & Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants & Contributions	Governmental Activities
Functions/Programs				
Governmental Activities				
Special Programs	$ 319,426	$ 32,931	$ 29,850	$ (256,645)
Total Primary Government	$ 319,426	$ 32,931	$ 29,850	(256,645)

General Receipts:	
State Aid	186,938
Other Revenue	98,127
Interest Income	1,991
Total General Revenues	287,056
Change in Net Position	30,411
Net Position - Beginning of Year	(222,830)
Net Position - End of Year	$ (192,419)

The accompanying notes are an integral part of this statement.

Roughrider Education Services Program
Balance Sheet-Governmental Fund - Modified Cash Basis
June 30, 2023

		General
ASSETS		
Cash and Cash Equivalents	$	252,106
TOTAL ASSETS	$	252,106
LIABILITIES & FUND BALANCES		
Liabilities:		
Accrued Salaries & Benefits	$	23,277
Credit Cards Payable		908
Total Liabilities		24,185
Fund Balances:		
Unassigned		227,921
TOTAL LIABILITIES & FUND BALANCES	$	252,106
Reconciliation of Fund Balances to Net Position:		
Total Fund Balances for Governmental Funds	$	227,921
Amounts reported for *governmental activities* in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is $79,506 and the accumulated depreciation is $58,494.		21,012
The ROU Lease Asset used in governmental activities is not a financial resource and is not reported in the governmental funds. The cost of the ROU Lease Asset was $28,664 and the accumulated amortization is $4,777.		23,887
Deferred outflows of resources are not a financial resource available for the current period and, therefore, are not reported in the govermental funds balance sheet.		67,816
The net pension and OPEB liability is not due and payable in the current period and, therefore, is not reported in the governmental funds balance sheet.		(382,487)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the govermental funds balance sheet.		(126,532)
Long-term liabilities applicable to the Program's governmental activites 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.		(24,036)
Net position of governmental activities	$	(192,419)

The accompanying notes are an integral part of this statement.

Roughrider Education Services Program
Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis
Governmental Fund
For the year ended June 30, 2023

	General
REVENUES	
Fees & Dues	$ 32,931
State Aid	186,938
Other Revenue	98,127
EL Services	29,850
Interest Income	1,991
TOTAL REVENUES	349,837
EXPENDITURES	
Current:	
Salaries & Benefits	290,980
Office Contracted Services	8,997
Occupancy	11,085
Travel	7,060
Office Supplies & Equipment	15,683
Dues & Memberships	2,822
Miscellaneous	1,174
Capital Outlay:	
Office Lease	23,887
TOTAL EXPENDITURES	361,688
Revenues over (under) Expenses	(11,851)
OTHER SOURCE (USES)	
Lease Liability Issued	24,036
Change in Fund Balance	12,185
Fund Balance - July 1, 2022	215,736
FUND BALANCE - JUNE 30, 2023	$ 227,921

The accompanying notes are an integral part of this statement.

Roughrider Education Services Program
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund to the Statement of Activities - Modified Cash Basis
For the year ended June 30, 2023

Net change in fund balances - governmental fund - modified cash basis		$ 12,185
The change in net position reported for governmental activities in the statement of activities-modified cash basis is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which purchases exceeded depreciation.		
Depreciation expense of capital assets reported		(5,008)
Right-of-use lease asset capital outlay expenditures which were capitalized	$ 28,664	
Amortization expense for right-of-use assets	(4,777)	
		23,887
The proceeds of debt issuances are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which debt proceeds exceeded repayment of debt.		
Leases Issued		(24,036)
Governmental funds report the pension expense as accrued for actual salaries paid in the expenditures. However in the statement of activities, the pension expense is an actuarial calculation of the cost of the plan accounting for projected future benefits, plan earnings, and contributions.		23,383
Change in net position - modified cash basis of governmental activities		$ 30,411

The accompanying notes are an integral part of this statement.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Roughrider Education Services Program have been prepared in conformity with the modified cash basis of accounting. This differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity

In accordance with Governmental Accounting Standards Board Statement No. 14 *The Financial Reporting Entity*, for financial reporting purposes the Program's financial statements include all accounts of the Program's operations. The criteria for including organizations as component units within the Program's reporting entity include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Program holds the corporate powers of the organization
- the Program appoints a voting majority of the organization's board
- the Program is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Program
- there is a fiscal dependency by the organization on the Program

The Program receives funding from local, county, state and federal government sources and must comply with the concomitant requirements of these funding source entities. But, based upon the criteria of Statement No. 14, there are no component units to be included within the Program as a reporting entity and the Program is not includable as a component unit within another reporting entity.

Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are supported by taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Currently, the Program has no fiduciary or business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Separate statements are presented for governmental, proprietary and fiduciary activities. The Program has no proprietary or fiduciary activities at this time. These statements present each major fund as a separate column on the fund financial statements (the Program has only one fund); any non-major funds would be aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The Program has presented the following major fund:

General Fund: The General Fund is the main operating fund of the Program and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when transactions are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus, within the limitations of the modified cash basis of accounting. The economic resources measurement focus, within the limitations of the modified cash basis of accounting, means all assets (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net position. Under the modified cash basis of accounting, the Program recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements. Payroll and related liabilities were also accrued at year end. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Payroll and related liabilities were also accrued at year end.

If the Program utilized the basis of accounting recognized as generally accepted, the fund financial statements would use modified accrual. All government-wide financials would be presented on the accrual basis of accounting.

Encumbrance Accounting

Encumbrances are commitments related to unperformed contracts for goods and services that may be recorded for budgetary control purposes. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. No reservation of fund balances is provided at year-end.

Deposits

In accordance with North Dakota statutes, the Program maintains deposits at depository banks designated 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, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposits, 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 entity, and bonds issued by any other state of the United States or such other securities approved by the banking board.

At June 30, 2023, the carrying amount of the Program's deposits was $252,106. The bank balance was $252,242. The difference results from checks outstanding or deposits not yet processed. The bank balance was in excess of the $250,000 Federal Depository Insurance limit.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Credit Risk: The Program may invest idle funds as authorized in North Dakota Statutes, as follows:

a) 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.
b) 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.
c) Certificates of deposit fully insured by the federal deposit insurance corporation.
d) Obligations of the state.

Concentration of credit risk: The Program does not have a limit on the amount the Program may invest in any one issuer.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Program board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Balance Classifications

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

Capital Assets

Capital assets include furniture and fixtures and are reported in the government-wide financial statements. The Program's policy, implemented in fiscal year 2011, is to capitalize assets with an original cost of $2,500 or more (either individually or collectively) and a useful life of more than one year. Any assets purchased prior to fiscal year 2011 were expensed. Depreciation has been calculated on the straight-line method over the estimated useful life of the asset. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

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 Program 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 term of more than 12 months, or that contain an option to purchase that the Program 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 Program uses its incremental borrowing rate based on the information available at the lease commencement date. The Program has made an accounting policy election to use a risk-free rate based on the US Treasury T-Bill rate as of the lease commencement. The Program accounts for lease agreements with lease and non-lease components together as a single lease component for all underlying classes of assets.

The Program continues to record rent income and 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.

The amortizable life of the leases and any leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

The Program's lease agreements do not include any material residual value guarantees or restrictive covenants.

Intangible Assets

The Program has recorded right-of-use lease assets as a result of implementing GASB Statement No. 87. The right-of-use lease assets are initially measured at an amount equal to the initial measurement of the related lease liabilities plus any lease payments made prior to the lease terms, less lease incentives, and plus ancillary charges necessary to place the leases into service. The right-of-use lease assets are amortized on a straight-line basis over the lives of the related leases.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. See Note 4 for additional information.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Fund for Retirement (TFFR) and the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from TFFR and NDPERS's 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.

Other Post Employment Benefit (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.

NOTE 2 CASH

Cash includes amounts in demand deposits. These amounts must be deposited in a financial institution situated and doing business within this state.

NOTE 3 RISK MANAGEMENT

The Roughrider Education Services Program 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 Roughrider Education Services Program pays an annual premium to NDIRF for its general liability, and automobile. The coverage by NDIRF is limited to losses of two million dollars per occurrence.

NOTE 3 RISK MANAGEMENT - CONTINUED

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

The Program has workers compensation with the North Dakota Workforce Safety and Insurance.

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

NOTE 4 DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (PENSIONS)

Details of the Deferred Outflows of Resources and Deferred Inflows of Resources on the face of the financial statements as of June 30, 2023 are as follows:

Deferred Outflows of Resources	
Derived from pension - TFFR	$ 67,816
Derived from pension - NDPERS	-
Derived from pension - OPEB	-
Total	$ 67,816
Deferred Inflows of Resources	
Derived from pension - TFFR	$ 112,006
Derived from pension - NDPERS	13,707
Derived from pension - OPEB	819
Total	$ 126,532

Note 5 of the financial statements contains detail of the pension plans.

NOTE 5 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)

1. 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.

NOTE 5 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

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 must 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 or 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.

NOTE 5 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) - CONTINUED

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

NOTE 5 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

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

At June 30, 2023, the Program reported a liability of $382,487 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Program's proportion of the net pension liability was based on the Program's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2022, the Program's proportion was 0.026269% which was an increase of 0.000226% from its proportion measured as of July 1, 2021.

For the year ended June 30, 2023, the Program recognized pension expense of $11,699. At June 30, 2023, the Program 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	$ 1,648	$ 10,212
Changes of assumptions	7,778	-
Net difference between projected and actual earnings on pension plan investments	28,649	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,693	101,794
Employer contributions subsequent to the measurement date (see below)	27,048	-
Total	$ 67,816	$ 112,006

$27,048 reported as deferred outflows of resources related to pensions resulting from Program contributions subsequent to the measurement date will be recognized as a reduction of the net pensions 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:

For the year ended June 30,	
2024	$ (32,397)
2025	(32,705)
2026	(24,759)
2027	21,508
2028	(1,496)
Thereafter	(1,391)

NOTE 5 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) - CONTINUED

Actuarial Assumptions

The total pension liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary Increases	3.80% to 14.80% varying by service, including inflation and productivity
Investment rate of return	7.25%, net of investment expenses, 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 assumption used in the July 1, 2022, 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, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	55%	6.61%
Global Fixed Income	26%	0.35%
Global Real Assets	18%	4.60%
Cash Equivalents	1%	-1.05%

NOTE 5 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

Discount Rate

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2022. 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, 2022, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2022. 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, 2022.

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

The following presents the Program's proportionate share of the net pension liability calculated using the discount rate of 7.25% as of June 30, 2022, as well as what the Program's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Employer's proportionate share of the net pension liability	$ 525,502	$ 382,487	$ 263,874

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report. TFFR's Comprehensive Annual Financial Report (CAFR) is located at www.rio.nd.gov/sites/www/files/documents/PDFs/RIO/Reports/annualreport2022.pdf

2. North Dakota Public Employees Retirement System (Main System)

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

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

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

NOTE 5 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

Pension Benefits

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will 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. 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 of disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

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

NOTE 5 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) - CONTINUED

Member and Employer Contributions

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

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

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

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

At June 30, 2023, the Program reported a liability of $0 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Program's proportion of the net pension liability was based on the Program's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2022, the Program's proportion was 0%, which did not change from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Program recognized a *negative* pension expense of $7,727. At June 30, 2023, the Program 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	$ -	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	13,707
Employer contributions subsequent to the measurement date (see below)	-	-
Total	$ -	$ 13,707

NOTE 5 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) - CONTINUED

$0 reported as deferred outflows of resources related to pensions resulting from Program 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:

For the year ended June 30,	
2024	$ (7,432)
2025	(6,275)
2026	-
2027	-
2028	-
Thereafter	-

Actuarial Assumptions

The total pension liability in the July 1, 2022 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	5.10%, 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	30%	6.00%
International Equity	21%	6.70%
Private Equity	7%	9.50%
Domestic Fixed Income	23%	0.73%
International Fixed Income	0%	0.00%
Global Real Assets	19%	4.77%
Cash Equivalents	0%	0.00%

NOTE 5 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) - CONTINUED

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 3.69%; and the resulting Single Discount Rate is 5.10%.

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

The following presents the Program’s proportionate share of the net pension liability calculated using the discount rate of 5.10 percent, as well as what the Program’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.10 percent) or 1-percentage-point higher (6.10 percent) than the current rate:

	1% Decrease (4.10%)	Current Discount Rate (5.10%)	1% Increase (6.10%)
Employer's proportionate share of the net pension liability	$ -	$ -	$ -

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued NDPERS financial report. That report may be obtained by writing to NDPERS; 1600 E Century Ave; Suite 2; Bismarck, ND 58503.

3. North Dakota Public Employees Retirement System (OPEB)

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.

NOTE 5 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

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

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

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as ***"prefunded credit applied"*** on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and 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.

NOTE 5 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) - CONTINUED

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

At June 30, 2023, the Program reported a liability of $0 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Program's proportion of the net OPEB liability was based on the Program's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2022, the Program's proportion was 0%, which did not change from its proportion as of June 30, 2021.

For the year ended June 30, 2023, the Program recognized a *negative* OPEB expense of $306. At June 30, 2023, the Program 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	$ -	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	819
Employer contributions subsequent to the measurement date (see below)	-	-
Total	$ -	$ 819

$0 reported as deferred outflows of resources related to OPEB resulting from Program 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:

For the year ended June 30,	
2024	$ (306)
2025	(306)
2026	(201)
2027	(6)
2028	-
Thereafter	-

NOTE 5 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

Actuarial assumptions

The total OPEB liability in the July 1, 2022 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, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	5.85%
Small Cap Domestic Equities	6%	6.75%
Domestic Fixed Income	35%	0.50%
International Equities	26%	6.25%

Discount rate

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

NOTE 5 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

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

The following presents the net OPEB liability of the Plans as of June 30, 2022, calculated using the discount rate of 5.39%, 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 (4.39 percent) or 1-percentage-point higher (6.39 percent) than the current rate:

	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
Employer's proportionate share of the net pension liability	$ -	$ -	$ -

NOTE 6 LEGAL COMPLIANCE - BUDGET

During the year ended June 30, 2023, certain individual line items were over in the general fund budget. As a whole, the expenditures were over budget. No remedial action is anticipated.

NOTE 7 CAPITAL ASSETS

Following is a summary of changes in capital assets and accumulated depreciation for the year ended June 30, 2023:

	Capital Assets	Accumulated Depreciation	Total
Balance, June 30, 2022	$ 83,303	$ 57,283	$ 26,020
Disposals, Fiscal Year 2023	(3,797)	(3,797)	-
Depreciation Expense, Fiscal Year 2023	-	5,008	(5,008)
Balance, June 30, 2023	$ 79,506	$ 58,494	$ 21,012

Depreciation expense for the year ended June 30, 2023 was $5,008 and is reported in the government-wide statement of activities.

NOTE 8 LEASE

Intangible Asset

The Program has recorded a right-of-use lease asset for its Dickinson office lease. The office is leased through St. Joe's Plaza, LLC. The lease is discussed in the Lease Liability section of this note. The right-of-use lease asset is amortized on a straight-line basis over the term of the related lease. Right-of-use lease asset activity for the primary government for the year ended June 30, 2023 is as follows:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Right-of-Use Lease Assets:				
St. Joe's Plaza, LLC	$ -	$ 28,664	$ -	$ 28,664
Total Right-of-Use Lease Assets	-	28,664	-	28,664
Less Accumulated Amortization for:				
St. Joe's Plaza, LLC	-	4,777	-	4,777
Total Accumulated Amortization	-	4,777	-	4,777
Right-of-Use Lease Assets, Net	$ -	$ 23,887	$ -	$ 23,887

Lease Liabilities

The Program has entered into a lessee lease agreement with St. Joe's Plaza, LLC to lease office space. The lease agreement qualifies as an other than short-term lease under GASB Statement No. 87 and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception. There are no variable payment components in the lease agreement. No option to purchase was included in the agreement.

The office lease agreement commenced on January 25, 2023 and requires 36 minimum monthly payments of $842. The office lease agreement expires on February 25, 2026. The lease liability is measured at a risk-free discount rate of 3.84%, as no discount rate was specified in the lease agreement.

As a result of the lease, the Program has recorded a right-of-use lease asset with a net book value of $23,887 at June 30, 2023. The right-of-use lease asset is discussed in more detail in the intangible asset section of this note.

The future minimum lease liability and the net present value of these minimum lease payments as of June 30, 2023 were as follows:

Year Ending December 31	Principal Payments	Interest Payments	Total
2024	$ 9,339	$ 760	$ 10,099
2025	9,704	395	10,099
2026	4,993	56	5,049
	$ 24,036	$ 1,211	$ 25,247

NOTE 8 LEASE - CONTINUED

During the year ended June 30, 2023, the following changes occurred in lease liabilities:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023	Current Portion of Balance
Lease Liabilities:					
St. Joe's Plaza, LLC	$ -	$ 24,036	$ -	$ 24,036	$ 9,339
Total Lease Liabilities	$ -	$ 24,036	$ -	$ 24,036	$ 9,339

OTHER INFORMATION

ROUGHRIDER EDUCATION SERVICES PROGRAM
Supplementary Information
For the Year Ended June 30, 2023

Schedule of Employer's Share of Net Pension Liability
ND Teachers' Fund for Retirement
Last 10 Fiscal Years *

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.02626874%	0.02604283%	0.02709643%	0.02761286%	0.03810651%	0.04524370%	0.04661696%	0.031103%	0.015021%
Employer's proportionate share of the net pension liability (asset)	$ 382,487	$ 274,402	$ 414,712	$ 380,299	$ 507,906	$ 621,434	$ 682,966	$ 406,782	$ 157,393
Employer's covered payroll	$ 206,712	$ 200,712	$ 197,712	$ 193,712	$ 259,052	$ 305,382	$ 302,882	$ 191,316	$ 87,133
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	185.03%	136.71%	209.76%	196.32%	196.06%	203.49%	225.49%	212.63%	180.64%
Plan fiduciary net position as a percentage of the total pension liability	67.5%	75.7%	63.4%	65.5%	65.5%	63.2%	59.2%	62.1%	66.6%

* Complete data for this schedule is not available prior to 2015.

Schedule of Employer Contributions
ND Teachers' Fund for Retirement
Last 10 Fiscal Years *

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	$ 27,048	$ 26,356	$ 25,591	$ 25,208	$ 24,698	$ 33,029	$ 38,936	$ 38,617	$ 24,393
Contributions in relation to the statutorily required contribution	$ (27,048)	$ (26,356)	$ (25,591)	$ (25,208)	$ (24,698)	$ (33,029)	$ (38,936)	$ (38,617)	$ (24,393)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 212,137	$ 206,712	$ 200,712	$ 197,712	$ 193,712	$ 259,052	$ 305,382	$ 302,882	$ 191,316
Contributions as a percentage of covered payroll	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%

* Complete data for this schedule is not available prior to 2014.

Data reported is measured as of 7/1/2022, 7/1/2021, 7/1/2020, 7/1/2019, 7/1/2018, 7/1/2017, 7/1/2016, 7/1/2015 and 7/1/2014.

See independent auditor's report and notes to financial statements.

ROUGHRIDER EDUCATION SERVICES PROGRAM
Supplementary Information
For the Year Ended June 30, 2023

Schedule of Employer's Share of Net Pension Liability
ND Public Employees Retirement System
Last 10 Fiscal Years *

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.000000%	0.000000%	0.000000%	0.002727%	0.002919%	0.003119%	0.003254%	0.004493%	0.002202%
Employer's proportionate share of the net pension liability (asset)	$ -	$ -	$ -	$ 31,962	$ 49,261	$ 50,133	$ 31,713	$ 30,552	$ 13,977
Employer's covered-employee payroll	$ -	$ -	$ -	$ 28,367	$ 29,991	$ 31,840	$ 32,796	$ 40,030	$ 18,552
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	112.67%	164.25%	157.45%	96.70%	76.33%	75.34%
Plan fiduciary net position as a percentage of the total pension liability	54.47%	78.26%	48.91%	71.66%	62.80%	61.98%	70.46%	77.15%	77.70%

* Complete data for this schedule is not available prior to 2015.

Schedule of Employer Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years *

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	$ -	$ -	$ -	$ 2,065	$ 2,209	$ 2,309	$ 2,374	$ 3,040	$ 1,321
Contributions in relation to the statutorily required contribution	$ -	$ -	$ 1,885	$ (2,020)	$ (2,365)	$ (2,263)	$ (2,486)	$ (2,850)	$ (1,321)
Contribution deficiency (excess)	$ -	$ -	$ (1,885)	$ 45	$ (156)	$ 46	$ (112)	$ 190	$ -
Employer's covered-employee payroll	$ -	$ -	$ -	$ 28,367	$ 29,991	$ 31,840	$ 32,796	$ 40,030	$ 18,552
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	7.12%	7.89%	7.11%	7.58%	7.60%	7.12%

* Complete data for this schedule is not available prior to 2015.

Data reported is measured as of 7/1/2022, 7/1/2021, 7/1/2020, 7/1/2019, 7/1/2018, 7/1/2017, 7/1/2016, 7/1/2015 and 7/1/2014.

See independent auditor's report and notes to financial statements.

ROUGHRIDER EDUCATION SERVICES PROGRAM
Supplementary Information
For the Year Ended June 30, 2023

Schedule of Employer's Share of Net OPEB Liability
ND Public Employees Retirement System
Last 10 Fiscal Years *

	2023	2022	2021	2020	2019	2018
Employer's proportion of the net OPEB liability (asset)	0.000000%	0.000000%	0.000000%	0.002542%	0.002741%	0.002943%
Employer's proportionate share of the net OPEB liability (asset)	$ -	$ -	$ -	$ 2,042	$ 2,159	$ 2,328
Employer's covered-employee payroll	$ -	$ -	$ -	$ 28,367	$ 29,991	$ 31,840
Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	7.20%	7.20%	7.31%
Plan fiduciary net position as a percentage of the total OPEB liability	56.28%	76.63%	63.38%	63.13%	61.89%	59.78%

* Complete data for this schedule is not available prior to 2017.

Schedule of Employer OPEB Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years *

	2023	2022	2021	2020	2019	2018
Statutorily required contribution	$ -	$ -	$ -	$ 330	$ 352	$ 370
Contributions in relation to the statutorily required contribution	$ -	$ -	$ 302	$ (323)	$ (379)	$ (362)
Contribution deficiency (excess)	$ -	$ -	$ (302)	$ 7	$ (27)	$ 8
Employer's covered-employee payroll	$ -	$ -	$ -	$ 28,367	$ 29,991	$ 31,840
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	1.14%	1.26%	1.14%

* Complete data for this schedule is not available prior to 2017.

Data reported is measured as of 7/1/2022, 7/1/2021, 7/1/2020, 7/1/2019, 7/1/2018 and 7/1/2017

See independent auditor's report and notes to financial statements.

Roughrider Education Services Program
Budgetary Comparison Schedule - Modified Cash Basis
General Fund
For the year ended June 30, 2023

	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget
REVENUES				
Fees & Dues	$ 33,000	$ 31,000	$ 32,931	$ 1,931
State Aid	210,000	188,000	186,938	(1,062)
Other Revenue	160,000	110,000	98,127	(11,873)
EL Services	25,000	25,000	29,850	4,850
Interest Income	1,000	500	1,991	1,491
TOTAL REVENUES	429,000	354,500	349,837	(4,663)
EXPENDITURES				
Current:				
Salaries & Benefits	374,139	298,341	290,980	7,361
Office Contracted Services	17,000	17,000	8,997	8,003
Occupancy	11,781	10,501	11,085	(584)
Travel	10,000	5,000	7,060	(2,060)
Office Supplies & Equipment	19,500	18,000	15,683	2,317
Dues & Memberships	5,000	5,000	2,822	2,178
Miscellaneous	-	-	1,174	(1,174)
Capital Outlay:				
Office Lease	-	-	23,887	(23,887)
TOTAL EXPENDITURES	437,420	353,842	361,688	(7,846)
Revenues over (under) Expenses	(8,420)	658	(11,851)	3,183
OTHER SOURCE (USES)				
Lease Liability Issued	-	-	24,036	(24,036)
Change in Fund Balance	(8,420)	658	12,185	(20,853)
Fund Balance - July 1, 2022	215,736	215,736	215,736	-
FUND BALANCE - JUNE 30, 2023	$ 207,316	$ 216,394	$ 227,921	$ (20,853)

See auditor's report.

NOTE 1 CHANGES OF ASSUMPTIONS – ND TEACHERS' FUND FOR RETIREMENT

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

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

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

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

NOTE 2 CHANGES OF BENEFIT TERMS AND CHANGES OF ASSUMPTIONS – ND PUBLIC EMPLOYEES RETIREMENT SYSTEM MAIN

Changes of Benefit Terms

The interest rate earned on member contributions will decrease from 6.50% to 6.00% effective January 1, 2023 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

Changes of Assumptions

The investment return assumption was updated from 7.00% to 6.50% beginning with the actuarial valuation as of July 1, 2022. All other 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.

NOTE 3 CHANGES OF BENEFIT TERMS AND CHANGES OF ASSUMPTIONS – ND PUBLIC EMPLOYEES RETIREMENT SYSTEM 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, 2020.

Changes of Assumptions

The investment return assumption was updated from 6.50% to 5.75% beginning with the actuarial valuation as of July 1, 2022. All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2021.

NOTE 4 LEGAL COMPLIANCE - BUDGETS

The Administrative and Governing Boards approve the Program budget on the modified cash basis of accounting for the general fund. The budget includes proposed disbursements and the means of financing them. The budget is controlled by the director at the receipt and disbursement function/object level. The budget may be amended during the year for any receipts and disbursements not anticipated at the time the budget was prepared. All appropriations lapse at year-end.

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*

Governing Board
Roughrider Education Services Program
Dickinson, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund-modified cash basis of Roughrider Education Services Program, Dickinson, North Dakota, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Roughrider Education Services Program’s basic financial statements and have issued our report thereon dated November 30, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Roughrider Education Services Program'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 Roughrider Education Services Program’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Roughrider Education Services Program’s internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider deficiency 2023-001 in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider deficiency 2023-002 described in the accompanying schedule of findings to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Roughrider Education Services Program's financial statements are free of 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 those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Roughrider Education Services Program's Response to Findings

Roughrider Education Services Program's response to the findings identified in our audit is described in the accompanying schedule of findings. Roughrider Education Services Program'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Haga Kommer, Ltd.
Haga Kommer, Ltd.
Mandan, North Dakota
November 30, 2023

Material Weakness
2023-001: Segregation of Duties

Condition – The Program has lack of segregation of duties in certain areas due to a limited staff.

Criteria – A good system of internal control contemplates an adequate segregation of duties so that no individual handles or has access to a transaction from its inception to its completion.

Cause – There are limited individuals to perform tasks due to the small size of the Program and it is not economically feasible to further segregate duties.

Effect – Inadequate segregation of duties could adversely affect the Program's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely manner by employees in the normal course of performing their assigned functions.

Recommendation – Board members should periodically review documentation supporting individual transactions.

Management's Response – The Program is aware of the condition and will add controls where feasible.

Significant Deficiency
2023-002 Preparation of Financial Statements

Condition – The financial statements and related notes are prepared by the Organization's auditors.

Criteria – Management is responsible for the preparation and fair presentation of the financial statements in conformity with the modified cash basis of accounting.

Cause – Limited time and resources of the Program to prepare the financial statements in the format required for the modified cash basis of accounting.

Effect – An increased risk of material misstatement in the Program's financial statements.

Recommendation – The board should review the audited financial statements for accuracy and accept responsibility for the preparation and fair presentation of the modified cash basis financial statements even if the auditor assisted in drafting the financial statements and notes.

Management's Response – The Program is aware that someone needs to review the audit report each year to make sure the financial statements and note disclosures are a fair presentation for the Program.