



Financial Statements
June 30, 2023

Alexander Public School District No. 2

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Alexander Public School District No. 2
School District Officials (Unaudited)
June 30, 2023

<u>Elected</u>	<u>Position</u>
Lashell Tjelde	President
Cameron Wahlstrom	Vice President
Darcy Delaney	Board Member
Brady Hanna	Board Member
Chris Link	Board Member
<u>Administration</u>	
Leslie Bieber	Superintendent
Shannon Faller	Principal
Aaron Allard	Assistant Principal
Jami Hudson	Business Manager



Independent Auditor's Report

To the School Board
Alexander Public School District No. 2
Alexander, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the modified cash-basis financial statements of the governmental activities and each major fund of the Alexander Public School District No. 2 ("the District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified-cash basis financial position of the governmental activities and each major fund of the District as of June 30, 2023, and the respective changes in modified-cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Alexander Public School District No. 2 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Basis of Accounting

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the School District Officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Bismarck, North Dakota
August 26, 2024

Alexander Public School District No. 2
Statement of Net Position – Modified Cash Basis
June 30, 2023

Assets

Cash and investments	\$ 8,837,779
Capital assets (net of accumulated depreciation)	
Buildings and improvements	18,931,532
Furniture and equipment	209,635
Vehicles	<u>353,165</u>
Total capital assets	<u>19,494,332</u>
Total assets	<u><u>\$ 28,332,111</u></u>

Liabilities

Current liabilities	
Bonds payable	\$ 808,019
Noncurrent liabilities	
Bonds payable	<u>9,463,990</u>
Total liabilities	<u><u>\$ 10,272,009</u></u>

Net Position

Net investment in capital assets	\$ 9,222,323
Restricted for debt service	608,423
Restricted for food service	45,560
Restricted for capital projects	6,330,513
Unrestricted	<u>1,853,283</u>
Total net position	<u><u>\$ 18,060,102</u></u>

Alexander Public School District No. 2

Statement of Activities – Modified Cash Basis

Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Regular programs	\$ 3,012,657	\$ -	\$ -	\$ -	\$ (3,012,657)
Special education	388,349	-	18,971	-	(369,378)
Administration	645,476	-	-	-	(645,476)
Operation and maintenance	913,275	-	559,233	-	(354,042)
Transportation services	539,054	-	119,160	-	(419,894)
Student activities	226,601	301,585	-	-	74,984
Other programs and services	328,077	-	-	-	(328,077)
Food services	609,452	141,424	9,576	-	(458,452)
Interest and fees	200,380	-	-	-	(200,380)
Total governmental activities	<u>\$ 6,863,321</u>	<u>\$ 443,009</u>	<u>\$ 706,940</u>	<u>\$ -</u>	<u>(5,713,372)</u>
General Revenues					
Property taxes					7,837,168
State aid not restricted to specific program					1,395,705
Federal aid not restricted to a specific program					461,970
Earnings on investments					61,349
Miscellaneous revenue					16,274
Total general revenues					<u>9,772,466</u>
Change in net position					4,059,094
Net Position - July 1, 2022					<u>14,001,008</u>
Net position - June 30, 2023					<u>\$ 18,060,102</u>

Alexander Public School District No. 2
Balance Sheet – Governmental Funds – Modified Cash Basis
June 30, 2023

	General Fund	Special Revenue	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash and investments	\$ 1,853,283	\$ 45,560	\$ 6,330,513	\$ 608,423	\$ 8,837,779
Fund Balances					
Restricted for capital projects	\$ -	\$ -	\$ 6,330,513	\$ -	\$ 6,330,513
Restricted for food service	-	45,560	-	-	45,560
Restricted for debt service	-	-	-	608,423	608,423
Committed for student activities	222,007	-	-	-	222,007
Committed for future reserve	523,900	-	-	-	523,900
Unassigned	1,107,376	-	-	-	1,107,376
Total fund balances	\$ 1,853,283	\$ 45,560	\$ 6,330,513	\$ 608,423	\$ 8,837,779

See Notes to Financial Statements

Alexander Public School District No. 2

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

Total fund balances for governmental funds	\$ 8,837,779
Total net position reported for government activities in the statement of net position is different because	
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds	
Cost of capital assets	\$ 23,993,143
Less accumulated depreciation	<u>(4,498,811)</u>
Net capital assets	19,494,332
Long-term liabilities applicable to the School District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term are reported in the statement of net position.	
Bonds payable	<u>(10,272,009)</u>
Total net position of governmental activities	<u><u>\$ 18,060,102</u></u>

Alexander Public School District No. 2

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

	General Fund	Special Revenue	Capital Projects	Debt Service	Total Governmental Funds
Revenues					
Local sources	\$7,059,302	\$ 141,424	\$ 495,726	\$1,220,581	\$ 8,917,033
State sources	1,513,251	-	-	-	1,513,251
Federal sources	340,175	151,956	-	-	492,131
Other sources	16,274	-	-	-	16,274
Total revenues	8,929,002	293,380	495,726	1,220,581	10,938,689
Expenditures					
Current					
Regular programs	3,012,657	-	-	-	3,012,657
Special Education	388,349	-	-	-	388,349
Administration services	645,476	-	-	-	645,476
Operations and maintenance	407,814	-	2,757	-	410,571
Transportation services	431,860	-	-	-	431,860
Student activities	226,601	-	-	-	226,601
Other programs and services	328,077	-	-	-	328,077
Food services	355,412	254,040	-	-	609,452
Capital outlay	-	-	145,138	-	145,138
Debt service					
Principal	-	-	-	1,248,193	1,248,193
Interest	-	-	-	190,848	190,848
Fees and miscellaneous	-	-	-	13,781	13,781
Total expenditures	5,796,246	254,040	147,895	1,452,822	7,651,003
Excess (Deficiency) of Revenues over (under) Expenditures	3,132,756	39,340	347,831	(232,241)	3,287,686
Other Financing Sources (Uses)					
Transfers In	-	-	4,000,000	-	4,000,000
Transfers Out	(4,000,000)	-	-	-	(4,000,000)
Total other financing sources (uses)	(4,000,000)	-	4,000,000	-	-
Net change in fund balances	(867,244)	39,340	4,347,831	(232,241)	3,287,686
Fund Balance - July 1, 2022	2,720,527	6,220	1,982,682	840,664	5,550,093
Fund Balance - June 30, 2023	<u>\$1,853,283</u>	<u>\$ 45,560</u>	<u>\$6,330,513</u>	<u>\$ 608,423</u>	<u>\$ 8,837,779</u>

Alexander Public School District No. 2

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

Net change in fund balances - total governmental funds	\$ 3,287,686
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures and proceeds from the sale of assets increase financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense and only the gain or loss on the disposal of assets is reported.	
Current year capital outlay	\$ 133,113
Current year depreciation expense	<u>(609,898)</u>
Net amount	(476,785)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal payments	<u>1,248,193</u>
Change in net position of governmental activities	<u><u>\$ 4,059,094</u></u>

Note 1 - Summary of Significant Accounting Policies

The financial statements of Alexander Public School District No. 2, Alexander, North Dakota (School District), have been prepared in conformity with the modified cash basis of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity

The accompanying financial statements present the activities of Alexander Public School District No. 2. The school district has considered all potential component units for which the school district is financially accountable and other organizations for which the nature and significance of their relationships with the school district is such that exclusion would cause the school district's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of Alexander Public School District No. 2 to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on Alexander Public School District No. 2.

Based on these criteria, there are no component units to be included with Alexander Public School District No. 2 as a reporting entity.

Government-wide and Fund Financial Statements

Government-wide Statements – The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of activities of the primary government. Governmental activities normally are supported by taxes and intergovernmental revenues.

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Fund Financial Statements – The fund financial statements provide information about the School's funds. Governmental fund statements are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred. This basis differs from accounting principles generally accepted in the United States of America because accounts receivable, accounts payable, and accrued expenses are not included in the financial statements.

Governmental funds are reported using the current financial resources measurement focus and the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred. This basis differs from accounting principles generally accepted in the United States of America because accounts receivable, accounts payable, accrued liabilities, deferred inflows of resources, and deferred outflows of resources are not included in the financial statements.

Only investments, capital assets, and long-term debt are recorded under the basis of accounting described above on the statement of net position. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The school district reports the following major governmental funds:

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

Special Revenue Fund – This is the school district’s hot lunch operating fund. It accounts for all financial resources related to food service.

Capital Projects Fund – This is the school district’s financial resources fund. It accounts for the acquisition, construction, maintenance, and insurance of major facilities.

Debt Service Fund – The debt service fund is used to account for financial resources to be used for the repayment of principal and interest on long-term debt.

The school district follows the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard setting body for establishing accounting principles generally accepted in the United States of America for all governmental entities. For the government-wide financial statements, the school district follows all applicable GASB pronouncements to the extent they are applicable to the modified cash basis of accounting.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Net Position Classification – Government-wide Statements

Net position and is displayed in three components:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

Fund Balance Classification Policies and Procedures

The school district classifies governmental fund balances as follows:

- Non-spendable fund balance represents a portion of fund balance that includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.
- Restricted fund balance represents a portion of fund balance that reflects constraints placed on the use of resources (other than non-spendable items) that are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which is the School Board, through ordinance or resolution.
- Assigned fund balance represents amounts constrained by the government's intent to be used for specific purposes, but neither restricted nor committed. Fund balance may be assigned by the Business Manager.
- Unassigned fund balance represents residual classification for the general fund. This classification represents fund balance not assigned to other funds and not restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it would be necessary to report a negative unassigned fund balance.

The School District uses restricted amounts first when both restricted and unrestricted fund balance is available and then from less-restrictive classifications unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. The School District has not established a policy for its use of unrestricted fund balance amounts. As such, the School District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Cash and Investments

Cash include amounts in demand deposits and money market accounts. These amounts must be deposited with the Bank of North Dakota or in a financial institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the uninsured balance.

State statues authorize the school district to invest in:

- Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress.
- Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.
- Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation or by the state.
- Obligations of the state.

Investments at June 30, 2023 consisted of certificates of deposit at cost and totaled \$250,000.

Capital Assets

Capital assets include plant and equipment and are reported in the governmental activities' column in the government-wide financial statements. Capital assets are defined by the school district as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	20-50 years
Furniture and equipment	5-10 years
Vehicles	7-10 years

Long-Term Obligations

In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net position. Bond premiums or discounts and bond issuance costs are recorded as expenditures when paid.

With respect to the presentation of governmental funds in the governmental fund financial statements, the face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Interfund Transactions

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

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

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

Tax Revenues

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

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the 5% discount on the property taxes.

Note 2 - Cash and Investments

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

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

Custodial Credit Risk

Custodial credit risk is the risk that an entity will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party if the counterparty fails. At June 30, 2023, the school district's carrying amount of deposits was \$8,587,779, and the bank balance was \$9,131,075. Of the bank balance, \$500,000 was covered by Federal Depository Insurance. The remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name. At June 30, 2023, the District's carrying balance and bank balance of certificates of deposit was \$250,000 and matures in April 2024. The entire balance was covered by Federal Depository Insurance.

Interest Rate Risk

The School District does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from changing interest rates.

Credit Risk

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

1. 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.
2. 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.
3. Certificates of Deposit fully insured by the federal deposit insurance corporation.
4. Obligations of the state.

Concentration of Credit Risk

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

Note 3 - Capital Assets

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

Governmental Activities	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets, being depreciated				
Buildings and improvements	\$ 21,984,830	\$ -	\$ -	\$ 21,984,830
Furniture and equipment	590,894	63,359	(15,822)	638,431
Vehicles	1,288,103	81,779	-	1,369,882
Total capital assets, being depreciated	23,863,827	145,138	(15,822)	23,993,143
Less accumulated depreciation for				
Buildings and improvements	2,608,154	445,144	-	3,053,298
Furniture and equipment	375,033	57,560	(3,797)	428,796
Vehicles	909,523	107,194	-	1,016,717
Total accumulated depreciation	3,892,710	609,898	(3,797)	4,498,811
Capital assets being depreciated, net	19,971,117	(464,760)	(12,025)	19,494,332
Governmental activities capital assets, net	\$ 19,971,117	\$ (464,760)	\$ (12,025)	\$ 19,494,332
Governmental activities				
Operation and maintenance of property				\$ 502,704
Student transportation				107,194
Total depreciation expense - governmental activities				\$ 609,898

Note 4 - Long-Term Liabilities**Changes in Long-Term Liabilities**

The following is a summary of long-term liability activity for the year ended June 30, 2023:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023	Due Within One Year
Bonds payable	<u>\$ 11,520,202</u>	<u>\$ -</u>	<u>\$ 1,248,193</u>	<u>\$ 10,272,009</u>	<u>\$ 808,019</u>
Total	<u>\$ 11,520,202</u>	<u>\$ -</u>	<u>\$ 1,248,193</u>	<u>\$ 10,272,009</u>	<u>\$ 808,019</u>

Outstanding debt at June 30, 2023 consisted of the following issues:

\$10,000,000 General Obligation School Building Bonds, Series 2015B, due in semi-annual payments of \$392,376 including interest at 5% with an interest buy-down to the rate of 2%	\$ 5,487,009
\$6,030,000 General Obligation School Building Refunding Bonds, Taxable Series 2021, due in annual payments of \$390,000 to \$460,000 including interest payments at 0.20% to 1.55% per annum	<u>4,785,000</u>
	<u>\$ 10,272,009</u>

The Series 2015B bonds were issued for the purposes of providing funds for constructing, remodeling, improving and equipping school buildings. The bonds are dated March 1, 2016, with an interest of 2% per annum. The bonds are payable through July 1, 2025. The Series 2015B bonds are obligations of the School District payable from the proceeds of the School District's tax levy. The debt service fund was used to make the debt service payments on the bonds in the current year and will be used to make the debt service payments in future years.

The Series 2021 bonds are dated February 24, 2021, with an interest ranging from 0.2% to 1.55% per annum. The bonds are payable through August 1, 2034. The Series 2021 bonds are obligations of the School District payable from the proceeds of the School District's tax levy. The debt service fund will be used to make the debt service payments on the bonds in future years.

The School District paid in excess of the minimum required payments on the 2015 Series bonds to reduce its total debt service payments over the next 25 years by almost \$525,000.

Debt service requirements on long-term debt at June 30, 2023 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 808,019	\$ 169,617
2026	623,721	106,284
2027	5,325,269	111,553
2028	420,000	45,785
2029-2033	2,165,000	167,786
2034-2035	930,000	31,176
	<u>\$ 10,272,009</u>	<u>\$ 632,201</u>

The school district participated in the Bank of North Dakota (BND) Interest Buydown program. Under this program BND paid approximately \$95,648 for the year ending June 30, 2023, in order to buydown the school's interest rate on the \$10,000,000 General Obligation Building Bonds. This amount was recorded as a reduction to interest expense.

Note 5 - Risk Management

Alexander Public School District No. 2 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. Alexander School District pays an annual premium to NDIRF for its general liability, automobile insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and automobile.

The school district also participates in the North Dakota State Fire and Tornado fund for public assets, buildings and property damage. The limit of coverage for this policy differs by the value for each asset.

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

Note 6 - Pension Plan**Plan Descriptions**

The School District participates in the following defined benefit pension plan:

North Dakota Teachers' Fund for Retirement (TFFR)

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-Grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

Pension Contributions

During the year ended June 30, 2023, the District made employer cash contributions for the pension plan totaling \$241,795.

Note 7 - Transfers

The following is a reconciliation between transfers in and transfers out as reported in the financial statements for the year ended June 30, 2023:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 4,000,000
Capital Projects Fund	4,000,000	-
	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>

The transfers to the capital projects fund were made for construction-related expenditures.



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the School Board
Alexander Public School District No. 2
Alexander, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the modified cash basis financial statements of the governmental activities and each major fund of Alexander Public School District No. 2 as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Alexander Public School District No. 2's basic financial statements, and have issued our report thereon dated August 26, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the modified cash basis financial statements, we considered Alexander Public School District No. 2's internal control over financial reporting (internal control) as the 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 Alexander Public School District No. 2's internal control. Accordingly, we do not express an opinion on the effectiveness of Alexander Public School District No. 2's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2023-001, 2023-002, and 2023-003, that we consider to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Responses as item 2023-004, to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alexander Public School District No. 2's modified cash basis financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as item 2023-004.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Alexander Public School District No. 2's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. Alexander Public School District No. 2's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Bismarck, North Dakota
August 26, 2024

2023-001 Preparation of Financial Statements
Material Weakness

Condition – The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Criteria – Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements that are materially correct.

Cause – The District does not have staff trained in all modified cash basis of accounting reporting standards.

Effect – The control deficiency could result in a misstatement to the presentation of the financial statements.

Recommendation – It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

View of responsible officials – No action is planned on the finding. The School District will continue to have the auditors prepare the financial statements; however, the School District has established an internal control policy to document the annual review of the financial statements by the School Board and management.

2023-002 Recording of Transactions and Audit Adjustments
Material Weakness

Condition – We identified misstatements in the District's financial statements causing us to propose material audit adjustments.

Criteria – A good system of internal accounting control contemplates proper reconciliations of all general ledger accounts and adjustments of those accounts to the reconciled balances.

Cause – The District has a lack of internal controls over the recording of certain transactions.

Effect – Inadequate internal controls over recording of transactions affects the District's ability to detect misstatements in amounts that could be material in relation to the financial statements.

Recommendation – We recommend that all general ledger accounts are reconciled in a timely manner and adjustments made for any differences noted.

View of responsible officials – The School District will review the prior year journal entries to determine training needs with the intent to reduce the overall frequency or number of adjusting journal entries.

**2023-003 Segregation of Duties
Material Weakness**

Condition – The District has a lack of segregation of duties in certain areas due to a limited staff. The District does not reconcile debt and capital asset activity. The District does not have a review process over reconciliation of cash, capital assets, debt, revenue, and expenditure accounts. The District does not have a review process over manual journal entries.

Criteria – A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion and an adequate review process over all account reconciliations and transactions being processed.

Cause – The District has limited staff to be able to adequately segregate duties and perform review processes over account reconciliations and transactions being processed.

Effect – Inadequate segregation of duties and lack of a review process could adversely affect the District's ability to detect misstatements in amounts that could be material in relation to the financial statements and increase the risk of potential misappropriation of assets.

Recommendation – All accounting functions should be reviewed to determine if additional segregation is feasible and to improve efficiency and effectiveness of financial management of the District. These accounting functions need to include a formal review and approval process.

View of responsible officials – The School District feels that the costs for hiring additional staff would not be significantly beneficial. The School District will continue to look for further opportunities to segregate duties and review and approval processes.

**2023-004 Lack of Supporting Documentation
Significant Deficiency**

Condition – The District was unable to provide all lease agreements related to the current year.

Criteria – Proper controls over agreements include the ability to prepare and maintain documents.

Cause – The District has a lack of internal controls over the retention of certain documents.

Effect – Inadequate internal controls over retention of documents affects the District's ability to maintain supporting documentation that could be material in relation to the financial statements.

Recommendation – We recommend that all documentation is retained for the audit timeline.

View of responsible officials – The School District will ensure the proper documentation is retained for an appropriate period of time.

State Compliance Item

2023-005 Uncashed Checks

Condition – The District has failed to remit uncashed checks greater than two years from the date of issuance to the administrator of the state treasury.

Criteria – According to North Dakota Century Code 47-30.1-02.1(1), any checks held, issued or owing in the ordinary course of business which remain uncashed by the owner for more than two years after becoming payable are presumed abandoned. These uncashed checks should be remitted to the administrator of the state treasury.

Cause – The District has not fully implemented the policy of remitting uncashed checks greater than two years outstanding from the issuance date.

Effect – The District is not in compliance with North Dakota Century Code 47-30.1-02.1(1), stating that any checks held, issued, or owing in the ordinary course of business which remain uncashed by the owner for more than two years after becoming payable are abandoned and should be remitted to the administrator of the state treasury.

Recommendation – The District should continually be aware of the North Dakota Century Code requirements.

View of responsible officials – The School District agrees with the finding. The School District will focus on remitting uncashed checks greater than two years outstanding from their issuance date to the administrator of the treasury.