

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

AUDITED FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

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June 30, 2019 and 2018

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EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

OFFICIAL DIRECTORY
June 30, 2019

Molly Lepert	President
Jared Nitschke	Vice-President
Troy Hanson	Board Member
Jeff Fleck	Board Member
Amanda Huber	Board Member
Tyler Hanson	Superintendent
Sadie Barnick	Business Manager



INDEPENDENT AUDITOR'S REPORT

School Board
Edgeley Public School District
Edgeley, North Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Edgeley Public School District, as of and for the years ended June 30, 2019 and 2018, and the related notes to financial statements, which collectively comprise Edgeley Public School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Edgeley Public School District's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the presentation 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 Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Edgeley Public School District, as of June 30, 2019 and 2018 and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

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.

Emphasis of a Matter

As discussed in Note 12 to the financial statements, there was an error in cash and capital assets as of June 30, 2017 that was discovered by management in the current year. Accordingly, an adjustment has been made to net position as of June 30, 2017 to correct the error. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Edgeley Public School District's basic financial statements. The budgetary comparison schedule, nonmajor governmental funds – combining balance sheet, and nonmajor governmental funds – schedule of revenues, expenditures, and changes in fund balance are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule, nonmajor governmental funds – combining balance sheet, and nonmajor governmental funds – schedule of revenues, expenditures, and changes in fund balance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule, nonmajor governmental funds – combining balance sheet, and nonmajor governmental funds – schedule of revenues, expenditures, and changes in fund balance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The official directory 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 any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2022 on our consideration of Edgeley Public School 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 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 Edgeley Public School District's internal control over financial reporting and compliance.



Nadine Julson, LLC
Wahpeton, North Dakota
August 19, 2022

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

STATEMENTS OF NET POSITION – MODIFIED CASH BASIS
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 26,506	\$ 17,380
Savings and CD's	1,845,107	1,505,147
Total Current Assets	<u>1,871,613</u>	<u>1,522,527</u>
Capital Assets		
Non-depreciable		
Construction in Progress	18,215	3,330,034
Depreciable, net of accumulated depreciation		
Buildings and Improvements	6,246,018	2,864,740
Vehicles	39,735	-
Equipment	86,555	77,749
Total Capital Assets	<u>6,390,523</u>	<u>6,272,523</u>
Total Assets	<u>8,262,136</u>	<u>7,795,050</u>
LIABILITIES		
Current Liabilities		
Payroll Liabilities	43,164	36,839
Current Portion of Long-term Debt		
General Obligation Bonds Payable	50,000	50,000
State School Construction Loan	118,736	59,499
Total Current Liabilities	<u>211,900</u>	<u>146,338</u>
Due After One Year		
General Obligation Bonds Payable	1,015,000	1,065,000
State School Construction Loan	2,549,838	2,139,525
Total Long-term Liabilities	<u>3,564,838</u>	<u>3,204,525</u>
Total Liabilities	<u>3,776,738</u>	<u>3,350,863</u>
NET POSITION		
Net Investment in Capital Assets	2,656,949	2,958,499
Restricted	885,560	514,479
Unrestricted	942,889	971,209
Total Net Position	<u>\$ 4,485,398</u>	<u>\$ 4,444,187</u>

See Notes to Financial Statements

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Regular Instruction	\$ 1,645,893	\$ 1,841	\$ 99,095	\$ (1,544,957)
Special Instruction	185,541	48,682	-	(136,859)
Vocational Instruction	293,548	-	-	(293,548)
Pupil Services	134,789	-	-	(134,789)
General Administration Services	149,152	-	-	(149,152)
School Administration Services	213,909	-	-	(213,909)
Other Support Services	1,099	-	-	(1,099)
Operation and Maintenance	606,650	-	-	(606,650)
Pupil Transportation	333,548	-	129,184	(204,364)
Student Activities	108,709	-	-	(108,709)
School Food Services	200,873	90,068	115,207	4,402
Community Services	14,584	-	-	(14,584)
Interest and Other Charges	39,193	-	-	(39,193)
	<u>\$ 3,927,488</u>	<u>\$ 140,591</u>	<u>\$ 343,486</u>	(3,443,411)
General Revenues				
Taxes				
Taxes Levied for General Purposes				1,129,713
Taxes Levied for Debt Purposes				234,925
Taxes Levied for Building Purposes				40,966
State Aid, not restricted for specific purpose				2,043,894
Interest and Investment Earnings				28,467
Miscellaneous				6,657
Total General Revenues				<u>3,484,622</u>
Change in Net Position				41,211
Net Position, Beginning of Year				4,444,187
Net Position, End of Year				<u>\$ 4,485,398</u>

See Notes to Financial Statements

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Regular Instruction	\$ 1,596,526	\$ 3,803	\$ 63,862	\$ (1,528,861)
Special Instruction	183,719	72,435	-	(111,284)
Vocational Instruction	245,780	-	15,108	(230,672)
Pupil Services	138,405	-	-	(138,405)
General Administration Services	146,160	-	-	(146,160)
School Administration Services	228,540	-	-	(228,540)
Other Support Services	1,137	-	-	(1,137)
Operation and Maintenance	687,199	-	-	(687,199)
Pupil Transportation	314,429	-	135,400	(179,029)
Student Activities	101,431	-	-	(101,431)
School Food Services	201,478	82,794	104,565	(14,119)
Community Services	20,785	-	-	(20,785)
Interest and Other Charges	74,167	-	-	(74,167)
	<u>\$ 3,939,756</u>	<u>\$ 159,032</u>	<u>\$ 318,935</u>	(3,461,789)
General Revenues				
Taxes				
				1,082,108
				260,545
				39,285
				2,067,254
				17,615
				2,303
				<u>3,469,110</u>
				7,321
				<u>4,436,866</u>
				<u>\$ 4,444,187</u>

See Notes to Financial Statements

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
June 30, 2019

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Debt Service	Capital Projects		
ASSETS					
Cash and Cash Equivalents	\$ 22,998	\$ -	\$ 2,069	\$ 1,439	\$ 26,506
Savings and CD's	960,167	484,524	279,093	121,323	1,845,107
Total Assets	983,165	484,524	281,162	122,762	1,871,613
LIABILITIES					
Payroll Liabilities	43,164	-	-	-	43,164
Total Liabilities	43,164	-	-	-	43,164
FUND BALANCE					
Restricted	-	484,524	281,162	119,874	885,560
Assigned	-	-	-	2,888	2,888
Unassigned	940,001	-	-	-	940,001
Fund Balance	940,001	484,524	281,162	122,762	1,828,449
Total Liabilities and Fund Balance	\$ 983,165	\$ 484,524	\$ 281,162	\$ 122,762	\$ 1,871,613

See Notes to Financial Statements

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
June 30, 2018

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Debt Service	Capital Projects		
ASSETS					
Cash and Cash Equivalents	\$ 15,976	\$ -	\$ 1,404	\$ -	\$ 17,380
Savings and CD's	991,810	391,239	27,545	94,553	1,505,147
Due from Other Funds	2,180	-	-	-	2,180
Total Assets	1,009,966	391,239	28,949	94,553	1,524,707
LIABILITIES					
Payroll Liabilities	36,839	-	-	-	36,839
Due to Other Funds	-	-	-	2,180	2,180
Total Liabilities	36,839	-	-	2,180	39,019
FUND BALANCE					
Restricted	-	391,239	28,949	94,291	514,479
Unassigned	973,127	-	-	(1,918)	971,209
Fund Balance	973,127	391,239	28,949	92,373	1,485,688
Total Liabilities and Fund Balance	\$ 1,009,966	\$ 391,239	\$ 28,949	\$ 94,553	\$ 1,524,707

See Notes to Financial Statements

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS
TO THE STATEMENTS OF NET POSITION – MODIFIED CASH BASIS
June 30, 2019 and 2018

Total Fund Balance - Governmental Funds June 30, 2019		\$	1,828,449
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	13,696,225		
Less Accumulated Depreciation	(7,305,702)		
Net Capital Assets	<u>6,390,523</u>		6,390,523
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.			
General Obligation Bonds Payable	(1,065,000)		
State School Construction Loan	(2,668,574)		
Total Long-term Liabilities	<u>(3,733,574)</u>		<u>(3,733,574)</u>
Total Net Position of Governmental Activities June 30, 2019		\$	<u><u>4,485,398</u></u>
Total Fund Balance - Governmental Funds June 30, 2018			
Total Fund Balance - Governmental Funds June 30, 2018		\$	1,485,688
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	13,388,815		
Less Accumulated Depreciation	(7,116,292)		
Net Capital Assets	<u>6,272,523</u>		6,272,523
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.			
General Obligation Bonds Payable	(1,115,000)		
State School Construction Loan	(2,199,024)		
Total Long-term Liabilities	<u>(3,314,024)</u>		<u>(3,314,024)</u>
Total Net Position of Governmental Activities June 30, 2018		\$	<u><u>4,444,187</u></u>

See Notes to Financial Statements

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**
Year Ended June 30, 2019

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Debt Service	Capital Projects		
REVENUES					
Local Sources	\$ 1,139,137	\$ 234,925	\$ 40,966	\$ 131,210	\$ 1,546,238
State Sources	2,173,078	-	-	715	2,173,793
Federal Sources	97,996	-	-	114,492	212,488
Interest Income	17,497	7,052	1,699	2,219	28,467
Miscellaneous Income	7,713	-	-	-	7,713
Total Revenues	3,435,421	241,977	42,665	248,636	3,968,699
EXPENDITURES					
Current					
Regular Instruction	1,631,546	-	-	-	1,631,546
Special Instruction	185,541	-	-	-	185,541
Vocational Instruction	293,548	-	-	-	293,548
Pupil Services	134,789	-	-	-	134,789
General Administration Services	149,152	-	-	-	149,152
School Administration Services	213,909	-	-	-	213,909
Other Support Services	1,099	-	-	-	1,099
Operation and Maintenance	406,537	-	56,241	17,374	480,152
Pupil Transportation	329,133	-	-	-	329,133
Student Activities	108,709	-	-	-	108,709
School Food Services	-	-	-	200,873	200,873
Community Services	14,584	-	-	-	14,584
Debt Service					
Principal	-	109,499	-	-	109,499
Interest and Other Charges	-	39,193	-	-	39,193
Facilities Acquisition and Construction	-	-	263,260	-	263,260
Total Expenditures	3,468,547	148,692	319,501	218,247	4,154,987
Excess (Deficiency) of Revenues over Expenditures	(33,126)	93,285	(276,836)	30,389	(186,288)
OTHER FINANCING SOURCES					
Proceeds from Long-term Debt	-	-	529,049	-	529,049
Total Other Financing Sources	-	-	529,049	-	529,049
NET CHANGE IN FUND BALANCE	(33,126)	93,285	252,213	30,389	342,761
FUND BALANCE, BEGINNING OF YEAR	973,127	391,239	28,949	92,373	1,485,688
FUND BALANCE, END OF YEAR	\$ 940,001	\$ 484,524	\$ 281,162	\$ 122,762	\$ 1,828,449

See Notes to Financial Statements

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**
Year Ended June 30, 2018

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Debt Service	Capital Projects		
REVENUES					
Local Sources	\$ 1,119,110	\$ 260,545	\$ 39,285	\$ 122,336	\$ 1,541,276
State Sources	2,217,762	-	-	703	2,218,465
Federal Sources	62,762	-	-	103,862	166,624
Interest Income	13,495	2,782	159	1,179	17,615
Miscellaneous Income	3,097	-	-	-	3,097
Total Revenues	3,416,226	263,327	39,444	228,080	3,947,077
EXPENDITURES					
Current					
Regular Instruction	1,584,494	-	-	-	1,584,494
Special Instruction	183,719	-	-	-	183,719
Vocational Instruction	245,780	-	-	-	245,780
Pupil Services	138,405	-	-	-	138,405
General Administration Services	146,160	-	-	-	146,160
School Administration Services	228,540	-	-	-	228,540
Other Support Services	1,137	-	-	-	1,137
Operation and Maintenance	464,340	-	53,798	69,451	587,589
Pupil Transportation	314,429	-	-	-	314,429
Student Activities	101,431	-	-	-	101,431
School Food Services	3,791	-	-	197,687	201,478
Community Services	20,785	-	-	-	20,785
Debt Service					
Principal	-	56,927	-	-	56,927
Interest and Other Charges	-	74,167	-	-	74,167
Facilities Acquisition and Construction	-	-	2,515,631	-	2,515,631
Total Expenditures	3,433,011	131,094	2,569,429	267,138	6,400,672
Excess (Deficiency) of Revenues over Expenditures	(16,785)	132,233	(2,529,985)	(39,058)	(2,453,595)
OTHER FINANCING SOURCES					
Proceeds from Long-term Debt	-	-	2,200,951	-	2,200,951
Total Other Financing Sources	-	-	2,200,951	-	2,200,951
NET CHANGE IN FUND BALANCE	(16,785)	132,233	(329,034)	(39,058)	(252,644)
FUND BALANCE, BEGINNING OF YEAR	989,912	259,006	357,983	131,431	1,738,332
FUND BALANCE, END OF YEAR	\$ 973,127	\$ 391,239	\$ 28,949	\$ 92,373	\$ 1,485,688

See Notes to Financial Statements

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENTS OF ACTIVITIES – MODIFIED CASH BASIS**
Years Ended June 30, 2019 and 2018

Net Change in Fund Balances - Total Government Funds June 30, 2019	\$	342,761
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets with a cost greater than \$5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.		118,000
Governmental funds report debt proceeds as current financial resources. The statement of activities treats such issuance of bonds payable as a liability.		(529,049)
Repayment of debt principal and other long-term liabilities is an expenditure in the governmental fund financial statements, but repayment reduces long-term liabilities in the statement of net position.		109,499
		<u>109,499</u>
Change in Net Position of Governmental Activities June 30, 2019	\$	<u>41,211</u>
Net Change in Fund Balances - Total Government Funds June 30, 2018	\$	(252,644)
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets with a cost greater than \$5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.		2,403,989
Governmental funds report debt proceeds as current financial resources. The statement of activities treats such issuance of bonds payable as a liability.		(2,200,951)
Repayment of debt principal and other long-term liabilities is an expenditure in the governmental fund financial statements, but repayment reduces long-term liabilities in the statement of net position.		56,927
		<u>56,927</u>
Change in Net Position of Governmental Activities June 30, 2018	\$	<u>7,321</u>

See Notes to Financial Statements

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

STATEMENTS OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUNDS – MODIFIED CASH BASIS
June 30, 2019 and 2018

	Agency Funds	
	2019	2018
Assets		
Cash and Investments	<u>\$ 60,293</u>	<u>\$ 74,912</u>
Total Assets	60,293	74,912
Liabilities		
Due to Groups	<u>60,293</u>	<u>74,912</u>
Total Liabilities	<u>\$ 60,293</u>	<u>\$ 74,912</u>

See Notes to Financial Statements

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Edgeley Public School District, Edgeley, North Dakota (the District) are presented on a modified cash basis of accounting. This basis of accounting 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.

A. Reporting Entity

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

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

B. Basis of Presentation, Basis of Accounting

Government-wide statements - The statement of net position and the statement of activities display information about the primary government (Edgeley Public School District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, fees and other non-exchange transactions. The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund financial statements - The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the district-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

1. General Fund
 - a. The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. Capital Projects Fund
 - a. Used to account for financial resources related to capital outlays made by the District.
3. Debt Projects Fund
 - a. Used to account for the accumulation of resources for, and payment of, general obligation bond principal, interest, and related costs.

EDGELEY PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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

1. Governmental Funds
 - a. Special Reserve Fund – Used to account for resources restricted to, or designated for, specific purposes by the District.
 - b. Food Service Fund – Used to account for food service revenues and expenditures.
2. Fiduciary Funds
 - a. Agency Funds – Used to account for resources held for others in a custodial capacity, the District's Agency Fund is the Student Activity Fund.

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

Governmental funds are reported using the modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund balance, revenues, expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this 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.

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

D. Cash and Investments

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

E. Capital Assets

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

EDGELEY PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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

<u>Assets</u>	<u>Years</u>
Buildings/Improvements	20 - 50
Equipment	10
Busses/Vehicles	10

F. Vacation Pay and Sick Pay

Certified employees receive 10 days each year cumulative to 65 days and 3 personal leave days per year. Employees who leave the District after a minimum of 14 years of service to the District shall receive \$20 per unused sick day if not non-renewed for performance or discharged for cause. Personal leave days accumulated to 4 or more days shall be paid at the current substitute per day pay scale to reduce the number of days to 2. Pay for this is included in the last monthly check of the current contract year.

Non-certified employees shall receive 10 days sick leave, cumulative to 50 days, prorated. 12-month employees shall receive 12 days paid vacation cumulative to 20 days, plus 1 vacation day for every 5 years of employment. 9-11-month employees shall receive 10 days paid vacation cumulative to 5 days, plus 1 vacation day for every 5 years of employment. Upon separation of employment, any accrued unused balance will be paid out to the employee at the current fiscal year rate of pay.

G. Long-term Obligations

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

H. Fund Balance and Net Position

In the fund financial statements, governmental funds report fund balance in the classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

1. Nonspendable
 - a. Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. They include items such as, but not limited to, inventories, prepaid items, or the permanent principal of endowment funds.
2. Restricted
 - a. Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
3. Committed
 - a. A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the School Board. Formal action is required to be taken to establish, modify, or rescind a fund balance commitment.
4. Assigned
 - a. Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes but are under the direction of the board and the business manager.

EDGELEY PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

5. Unassigned

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

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

I. Net Position

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

J. Interfund Transactions

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

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

NOTE 2 – LEGAL COMPLIANCE – BUDGETS

Expenditures over Appropriations – General fund expenditures did not exceed budgeted amounts for the years ended June 30, 2019 and 2018.

NOTE 3 – DEPOSITS AND INVESTMENTS

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

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

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the State of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board. For the years ended June 30, 2019 and 2018, the District's carrying amounts of deposits were \$1,931,906 and \$1,597,439. The bank balances were \$2,122,163 and \$1,781,556. Of the bank balances, \$500,000 was covered by Federal Depository Insurance. On June 30, 2019, the value of the securities was \$91,636 less than the 110% of the uninsured balance as required by state law.

EDGELEY PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

Credit Risk:

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

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

As of June 30, 2019 and 2018, the District held certificates of deposits of \$500,000.

Interest Rate Risk:

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

Concentration of Credit Risk:

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

NOTE 4 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended June 30, 2019 and 2018:

	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019
Governmental Activities:				
Capital Assets, not being depreciated				
Construction in Progress	\$ 3,330,034	\$ 18,215	\$ (3,330,034)	\$ 18,215
Total Capital Assets, not being depreciated	3,330,034	18,215	(3,330,034)	18,215
Capital Assets, being depreciated				
Buildings and Improvements	9,916,594	3,551,926	-	13,468,520
Vehicles	-	44,150	-	44,150
Equipment	142,187	23,153	-	165,340
Total Capital Assets, being depreciated	10,058,781	3,619,229	-	13,678,010
Less Accumulated Depreciation for				
Buildings and Improvements	7,051,854	170,648	-	7,222,502
Vehicles	-	4,415	-	4,415
Equipment	64,438	14,347	-	78,785
Total Accumulated Depreciation	7,116,292	189,410	-	7,305,702
Total Capital Assets Being Depreciated, net	2,942,489	3,429,819	-	6,372,308
Governmental Activities Capital Assets, net	\$ 6,272,523	\$ 3,448,034	\$ (3,330,034)	\$ 6,390,523

EDGELEY PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018
Governmental Activities:				
Capital Assets, not being depreciated				
Construction in Progress	\$ 927,963	\$ 2,415,008	\$ (12,937)	\$ 3,330,034
Total Capital Assets, not being depreciated	927,963	2,415,008	(12,937)	3,330,034
Capital Assets, being depreciated				
Buildings and Improvements	9,836,843	79,751	-	9,916,594
Equipment	108,378	33,809	-	142,187
Total Capital Assets, being depreciated	9,945,221	113,560	-	10,058,781
Less Accumulated Depreciation for				
Buildings and Improvements	6,952,244	99,610	-	7,051,854
Equipment	52,406	12,032	-	64,438
Total Accumulated Depreciation	7,004,650	111,642	-	7,116,292
Total Capital Assets Being Depreciated, net	2,940,571	1,918	-	2,942,489
Governmental Activities Capital Assets, net	\$ 3,868,534	\$ 2,416,926	\$ (12,937)	\$ 6,272,523

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

	2019	2018
Governmental Activities:		
Regular Instruction	\$ 14,347	\$ 12,032
Operation and Maintenance	170,648	99,610
Pupil Transportation	4,415	-
Total Depreciation Expense - Governmental Activities	\$ 189,410	\$ 111,642

NOTE 5 – LONG-TERM LIABILITIES

During the years ended June 30, 2019 and 2018, the following changes occurred in long-term liabilities:

	Long-term Liabilities at July 1, 2018	Increases	Decreases	Long-term Liabilities at June 30, 2019	Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	\$ 1,115,000	\$ -	\$ (50,000)	\$ 1,065,000	\$ 50,000
State School Construction Loan	2,199,024	529,049	(59,499)	2,668,574	118,736
Total - Governmental Activities	\$ 3,314,024	\$ 529,049	\$ (109,499)	\$ 3,733,574	\$ 168,736
	Long-term Liabilities at July 1, 2017	Increases	Decreases	Long-term Liabilities at June 30, 2018	Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	\$ 1,170,000	\$ -	\$ (55,000)	\$ 1,115,000	\$ 50,000
State School Construction Loan	-	2,200,951	(1,927)	2,199,024	59,499
Total - Governmental Activities	\$ 1,170,000	\$ 2,200,951	\$ (56,927)	\$ 3,314,024	\$ 109,499

EDGELEY PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

Outstanding debt at June 30, 2019 and 2018, are comprised of the following individual issuances:

1. General Obligation School Building Bonds, Series 2016
 - a. From an original issuance of \$1,170,000 at interest rates of 1.00%-3.00%. At June 30, 2019 and 2018, \$1,065,000 and \$1,115,000 remained outstanding. The principal and interest are payable through August 1, 2036.
2. State School Construction Loan
 - a. From an original issuance of \$2,730,000 at an interest rate of 5.00% with state buydown funds that reduce the yield to 2.00%. At June 30, 2019 and 2018, \$2,668,574 and \$2,199,024 remained outstanding. The principal and interest are payable through August 1, 2037.

The debt service requirement are as follows:

General Obligation Bonds Payable, Series 2016

(Dated November 3, 2016, Due annually to August 1, 2036)
 (Interest paid semiannually on August and February 1)

Year Ending June 30,	Rate	Principal	Interest	Payment
2020	1.00%	\$ 50,000	\$ 24,638	\$ 74,638
2021	1.00%	50,000	24,138	74,138
2022	1.50%	50,000	23,513	73,513
2023	1.50%	50,000	22,763	72,763
2024	1.50%	55,000	21,975	76,975
2025-2029	1.50% - 2.15%	280,000	94,587	374,587
2030-2034	3.00%	315,000	56,325	371,325
2035-2037	3.00%	215,000	9,825	224,825
Totals		\$ 1,065,000	\$ 277,764	\$ 1,342,764

State School Construction Loan

(Dated March 3, 2017, Due annually to August 1, 2037)
 (Interest paid semiannually on August and February 1)

Year Ending June 30,	Rate	Principal	Interest	Payment
2020	3.00%	\$ 118,736	\$ 52,300	\$ 171,036
2021	3.00%	116,160	51,086	167,246
2022	3.00%	117,466	48,745	166,211
2023	3.00%	135,885	44,982	180,867
2024	3.00%	135,554	42,284	177,838
2025-2029	5.00%	698,377	169,999	868,376
2030-2034	5.00%	734,000	98,397	832,397
2035-2038	5.00%	612,396	24,722	637,118
Totals		\$ 2,668,574	\$ 532,515	\$ 3,201,089

NOTE 6 – RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The District pays an annual premium to NDIRF for its general liability, auto and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and auto coverage.

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of \$2,000,000 per occurrence during a twelve-month period. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$1,133,111 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The District participates in the North Dakota Workforce Safety & Insurance and purchases commercial insurance for employee health and boiler and machinery insurance. Settled claims resulting from these above risks have not exceeded insurance coverage in any of the past three fiscal years.

The District has elected to be self-insured and retain all risk for liabilities resulting from claims of unemployment benefits. During the years ended June 30, 2019 and 2018, claims in the amount of \$4,345 were filed.

NOTE 7 – PENSION PLANS

North Dakota Teacher's Fund for Retirement

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-Grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

EDGELEY PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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

At June 30, 2019 and 2018, if the District were to report on the full accrual basis, a liability of \$2,411,026 and \$2,670,545 for its proportionate share of the net pension liability would have been reported. The net pension liability was measured as of June 30, 2018 and 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial calculation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employees. At June 30, 2019 and 2018 the District's proportion was .180891% and .194429%. The District's pension contributions for the years ended June 30, 2019 and 2018 was \$175,380 and \$156,788.

Actuarial Assumptions

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in measurement:

Inflation	2.75%
Salary increases	4.25% to 14.50%, varying by service, including inflation and productivity
Investment rate of return	7.75%, net of investment expenses
Cost-of-living-adjustments	None

For active and inactive members, mortality rates were based on the RP-2014 Employee Mortality Table, projected generationally using Scale MP-2014. For healthy retirees, mortality rates were based on the RP2014 Healthy Annuitant Mortality Table set back one year, multiplied by 50% for ages under 75 and grading up to 100% by age 80, projected generationally using Scale MP-2014. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table set forward four years.

The actuarial assumptions used were based on the results of an actuarial experience study dated April 30, 2015. They are the same as the assumptions used in the July 1, 2018, funding actuarial valuation for TFFR.

As a result of the April 30, 2015, actuarial experience study, the TFFR Board adopted several assumption changes, including the following:

- Investment return assumption lowered from 8.00% to 7.75%.
- Inflation assumption lowered from 3.00% to 2.75%.
- Total salary scale rates lowered by 0.25% due to lower inflation.
- Added explicit administration 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.

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 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 July 1, 2018, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equities	58%	6.70%
Global Fixed Income	23%	1.50%
Global Real Assets	18%	5.10%
Cash Equivalents	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.75% as of June 30, 2018. 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, 2018, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund the benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future-plan members and their beneficiaries, as well as projected contributions from future-plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of July 1, 2018. 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, 2018.

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.nd.gov/rio/sib/publications/cafr/default.htm.

NOTE 8 – RETIREMENT PLAN

The District established a 403(b) retirement plan where the District will contribute up to \$9,000 in 403(b) contributions and other cafeteria benefits. For the years ended June 30, 2019 and 2018 the amounts the District contributed was \$78,620 and \$65,206.

NOTE 9 – JOINT VENTURE

The District participates in the following joint ventures:

A. James River Special Education Unit

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

B. Southeast Region Career and Technology Center

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

NOTE 10 – NONMONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its food service program. The market value of commodities received for the years ended June 30, 2019 and 2018 was \$11,952 and \$13,112.

NOTE 11 – CONCENTRATIONS

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

EDGELEY PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

NOTE 12 – CORRECTION OF MISSTATEMENT

It was determined that there was a financial misstatement for the year ended June 30, 2017. The misstatement includes an overstatement of cash, capital assets, and accumulated depreciation. Cash, capital assets and accumulated depreciation have been corrected to reflect the subtractions. The District made the following correction:

Net Position, previously reported	\$ 4,523,335
Cash	(58,167)
Fixed Assets	(186,269)
Accumulated Depreciation	<u>157,967</u>
Net Position, restated	<u>\$ 4,436,866</u>

NOTE 13 – DUE TO/FROM OTHER FUNDS

The due to and from other funds as of June 30, 2018 represents amounts borrowed from the general fund to the food service fund to replenish expenditures in excess of revenues in the food service fund.

NOTE 14 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through August 19, 2022, the date on which the financial statements were available to be issued.

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – MODIFIED CASH BASIS
Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Local Sources	\$ 1,136,638	\$ 1,136,638	\$ 1,139,137	\$ 2,499
State Sources	2,196,181	2,196,181	2,173,078	(23,103)
Federal Sources	111,595	111,595	97,996	(13,599)
Interest Income	17,500	17,500	17,497	(3)
Miscellaneous Income	3,922	3,922	7,713	3,791
Total Revenues	<u>3,465,836</u>	<u>3,465,836</u>	<u>3,435,421</u>	<u>(30,415)</u>
EXPENDITURES				
Current				
Regular Instruction	1,650,146	1,650,146	1,631,546	18,600
Special Instruction	199,411	199,411	185,541	13,870
Vocational Instruction	285,964	285,964	293,548	(7,584)
Pupil Services	133,236	133,236	134,789	(1,553)
General Administration Services	148,280	148,280	149,152	(872)
School Administration Services	235,766	235,766	213,909	21,857
Other Support Services	-	-	1,099	(1,099)
Operation and Maintenance	378,808	378,808	406,537	(27,729)
Pupil Transportation	324,200	324,200	329,133	(4,933)
Student Activities	99,119	99,119	108,709	(9,590)
Community Services	15,206	15,206	14,584	622
Total Expenditures	<u>3,470,136</u>	<u>3,470,136</u>	<u>3,468,547</u>	<u>1,589</u>
Excess (Deficiency) of Revenues over Expenditures	(4,300)	(4,300)	(33,126)	(28,826)
FUND BALANCE, BEGINNING OF YEAR			<u>973,127</u>	
FUND BALANCE, END OF YEAR			<u>\$ 940,001</u>	

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – MODIFIED CASH BASIS
Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Local Sources	\$ 1,166,839	\$ 1,166,839	\$ 1,119,110	\$ (47,729)
State Sources	2,214,749	2,214,749	2,217,762	3,013
Federal Sources	96,774	96,774	62,762	(34,012)
Interest Income	11,500	11,500	13,495	1,995
Miscellaneous Income	2,000	2,000	3,097	1,097
Total Revenues	<u>3,491,862</u>	<u>3,491,862</u>	<u>3,416,226</u>	<u>(75,636)</u>
EXPENDITURES				
Current				
Regular Instruction	1,639,617	1,639,617	1,584,494	55,123
Special Instruction	183,265	183,265	183,719	(454)
Vocational Instruction	243,475	243,475	245,780	(2,305)
Pupil Services	135,674	135,674	138,405	(2,731)
General Administration Services	143,915	143,915	146,160	(2,245)
School Administration Services	219,532	219,532	228,540	(9,008)
Other Support Services	-	-	1,137	(1,137)
Operation and Maintenance	489,546	489,546	464,340	25,206
Pupil Transportation	317,111	317,111	314,429	2,682
Student Activities	96,734	96,734	101,431	(4,697)
School Food Services	-	-	3,791	(3,791)
Community Services	20,496	20,496	20,785	(289)
Total Expenditures	<u>3,489,365</u>	<u>3,489,365</u>	<u>3,433,011</u>	<u>56,354</u>
Excess (Deficiency) of Revenues over Expenditures	2,497	2,497	(16,785)	(19,282)
FUND BALANCE, BEGINNING OF YEAR			<u>989,912</u>	
FUND BALANCE, END OF YEAR			<u>\$ 973,127</u>	

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEET – MODIFIED CASH BASIS
June 30, 2019

	<u>Special Reserve</u>	<u>Food Service</u>	<u>Total Other Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 1,439	\$ 1,439
Savings and CD's	119,874	1,449	121,323
Total Assets	119,874	2,888	122,762
FUND BALANCE			
Restricted	119,874	-	119,874
Assigned	-	2,888	2,888
Fund Balance	119,874	2,888	122,762
Total Liabilities and Fund Balance	<u>\$ 119,874</u>	<u>\$ 2,888</u>	<u>\$ 122,762</u>

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEET – MODIFIED CASH BASIS
June 30, 2018

	<u>Special Reserve</u>	<u>Food Service</u>	<u>Total Other Governmental Funds</u>
ASSETS			
Savings and CD's	\$ 94,291	\$ 262	\$ 94,553
Total Assets	94,291	262	94,553
LIABILITIES			
Due to Other Funds	-	2,180	2,180
Total Liabilities	-	2,180	2,180
FUND BALANCE (DEFICIT)			
Restricted	94,291	-	94,291
Unassigned (Deficit)	-	(1,918)	(1,918)
Total Fund Balance (Deficit)	94,291	(1,918)	92,373
Total Liabilities and Fund Balance (Deficit)	<u>\$ 94,291</u>	<u>\$ 262</u>	<u>\$ 94,553</u>

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – MODIFIED CASH BASIS**
Year Ended June 30, 2019

	Special Reserve	Food Service	Total Other Governmental Funds
REVENUES			
Local Sources	\$ 41,099	\$ 90,111	\$ 131,210
State Sources	-	715	715
Federal Sources	-	114,492	114,492
Interest Income	1,858	361	2,219
Total Revenues	<u>42,957</u>	<u>205,679</u>	<u>248,636</u>
EXPENDITURES			
Current			
Operation and Maintenance	17,374	-	17,374
School Food Services	-	200,873	200,873
Total Expenditures	<u>17,374</u>	<u>200,873</u>	<u>218,247</u>
Excess of Revenues over Expenditures	25,583	4,806	30,389
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>94,291</u>	<u>(1,918)</u>	<u>92,373</u>
FUND BALANCE, END OF YEAR	<u>\$ 119,874</u>	<u>\$ 2,888</u>	<u>\$ 122,762</u>

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – MODIFIED CASH BASIS**
Year Ended June 30, 2018

	Special Reserve	Food Service	Total Other Governmental Funds
REVENUES			
Local Sources	\$ 39,236	\$ 83,100	\$ 122,336
State Sources	-	703	703
Federal Sources	-	103,862	103,862
Interest Income	980	199	1,179
Total Revenues	<u>40,216</u>	<u>187,864</u>	<u>228,080</u>
EXPENDITURES			
Current			
Operation and Maintenance	69,451	-	69,451
School Food Services	-	197,687	197,687
Total Expenditures	<u>69,451</u>	<u>197,687</u>	<u>267,138</u>
Excess (Deficiency) of Revenues over Expenditures	(29,235)	(9,823)	(39,058)
FUND BALANCE, BEGINNING OF YEAR	<u>123,526</u>	<u>7,905</u>	<u>131,431</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 94,291</u>	<u>\$ (1,918)</u>	<u>\$ 92,373</u>



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

School Board
Edgeley Public School District
Edgeley, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Edgeley Public School District, as of and for the years ended June 30, 2019 and 2018, and the related notes to financial statements, which collectively comprise the Edgeley Public School District's basic financial statements, and have issued our report thereon dated August 19, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Edgeley Public School District's internal control over financial reporting (internal control) to determine 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 Edgeley Public School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of current year findings that we consider to be material weaknesses (2019-001 and 2019-002).

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Edgeley Public School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the schedule of current year findings 2019-003.

District's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the Edgeley Public School District's response to the finding identified in our audit and described in the accompanying schedule of current year findings. The Edgeley Public School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Nadine Julson, LLC

Nadine Julson, LLC
Wahpeton, North Dakota
August 19, 2022

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

SCHEDULE OF CURRENT YEAR FINDINGS
Years ended June 30, 2019 and 2018

2019-001 INADEQUATE SEGREGATION OF DUTIES

Criteria

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

Condition

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

Effect or Potential Effect

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

Recommendation

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

Views of Responsible Officials

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

EDGELEY PUBLIC SCHOOL DISTRICT
Schedule of Current Year Findings – Continued

2019-002 FINANCIAL STATEMENT PREPARATION

Criteria

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

Condition

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

Effect of Potential Effect

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

Recommendation

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

Views of Responsible Officials

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

2019-003 PLEDGE OF ASSETS

Criteria

The District had a balance of \$583,305 on deposit at one financial institution as of June 30, 2019 that was covered by \$250,000 of FDIC coverage with the remaining balance of \$333,305 collateralized with securities held by the pledging financial institution's agent in the District's name.

Effect

The District was under collateralized by \$91,636 and was not in compliance with North Dakota Century Code 21-04-09.

Recommendation

We recommend the District review all bank statements and pledged securities to ensure all deposits are adequately covered by FDIC and pledged securities.

Views of Responsible Officials

The District depository corrected the under collateralized balance after year end. The District will continue to review bank balances for compliance with North Dakota Century Code 21-04-09.

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Years ended June 30, 2019 and 2018

Prior Financial Statement Findings

2017-1

A material weakness was reported for inadequate segregation of duties.

Corrective Action Plan

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements. This material weakness continues to exist under the current audit findings as finding number 2019-001.