

**ASHLEY PUBLIC SCHOOL DISTRICT**  
**Ashley, North Dakota**

**AUDITED FINANCIAL STATEMENTS**  
**Years Ended June 30, 2020 and 2019**

**ASHLEY PUBLIC SCHOOL DISTRICT**  
**Ashley, North Dakota**

**TABLE OF CONTENTS**  
**June 30, 2020 and 2019**

---

	<u>Page(s)</u>
Official Directory	1
<b>INDEPENDENT AUDITOR’S REPORT</b>	2 – 3
<b>BASIC FINANCIAL STATEMENTS</b>	
Statements of Net Position – Modified Cash Basis	4
Statement of Activities – Modified Cash Basis	5 – 6
Balance Sheet – Governmental Funds – Modified Cash Basis	7 – 8
Reconciliation of the Governmental Funds Balance Sheets to the Statements of Net Position – Modified Cash Basis	9
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds – Modified Cash Basis	10 – 11
Reconciliation of the Governmental Funds Statements of Revenues, Expenditures, and Changes in Fund Balance to the Statements of Activities – Modified Cash Basis	12
Statements of Fiduciary Assets and Liabilities – Agency Funds – Modified Cash Basis	13
Notes to Financial Statements	14 – 26
<b>SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule – General Fund – Modified Cash Basis	27 – 28
Nonmajor Governmental Funds – Combining Balance Sheet – Modified Cash Basis	29 – 30
Nonmajor Governmental Funds – Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – Modified Cash Basis	31 – 32
<b>INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	33 – 34
Schedule of Current Year Findings	35 – 36
Summary Schedule of Prior Audit Findings	37

**ASHLEY PUBLIC SCHOOL DISTRICT**  
**Ashley, North Dakota**

**OFFICIAL DIRECTORY**  
**June 30, 2020**

---

Lyle Fey	President
Kyle Thiery	Board Member
Amy Schlepp	Board Member
Ross Litsey	Board Member
Jordan Jenner	Board Member
Jason Schmidt	Superintendent
Teresa Dockter	Business Manager



## INDEPENDENT AUDITOR'S REPORT

School Board  
Ashley Public School District  
Ashley, 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 Ashley Public School District, as of and for the years ended June 30, 2020 and 2019, and the related notes to financial statements, which collectively comprise Ashley Public School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

The Ashley 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 Ashley Public School District, as of June 30, 2020 and 2019 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.

### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ashley 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.

As discussed in Note 12 to the financial statements, there was an error in capital assets and an unreported fund as of June 30, 2018 that was discovered by management in the current year. Accordingly, an adjustment has been made to net position as of June 30, 2018 to correct the error. Our opinion is not modified with respect to that matter.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2022 on our consideration of Ashley 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 Ashley Public School District's internal control over financial reporting and compliance.



Nadine Julson, LLC  
Wahpeton, North Dakota  
May 9, 2022

**ASHLEY PUBLIC SCHOOL DISTRICT**  
**Ashley, North Dakota**

**STATEMENTS OF NET POSITION – MODIFIED CASH BASIS**  
**June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$ 592,337	\$ 634,502
Savings and CD's	859,622	843,748
Payroll Assets	<u>4,830</u>	<u>-</u>
Total Current Assets	1,456,789	1,478,250
Capital Assets		
Depreciable, net of accumulated depreciation		
Buildings and Improvements	736,396	909,131
Vehicles	258,987	136,794
Equipment	<u>54,977</u>	<u>83,935</u>
Total Capital Assets	<u>1,050,360</u>	<u>1,129,860</u>
Total Assets	2,507,149	2,608,110
<b>LIABILITIES</b>		
Current Liabilities		
Payroll Liabilities	<u>-</u>	<u>41,057</u>
Total Current Liabilities	-	41,057
Due After One Year		
General Obligation Bonds Payable	<u>200,000</u>	<u>200,000</u>
Total Long-term Liabilities	<u>200,000</u>	<u>200,000</u>
Total Liabilities	200,000	241,057
<b>NET POSITION</b>		
Net Investment in Capital Assets	850,360	929,860
Restricted	542,116	527,806
Unrestricted	<u>914,673</u>	<u>909,387</u>
Total Net Position	<u>\$ 2,307,149</u>	<u>\$ 2,367,053</u>

See Notes to Financial Statements

**ASHLEY PUBLIC SCHOOL DISTRICT**  
**Ashley, North Dakota**

**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**  
**Year Ended June 30, 2020**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Regular Instruction	\$ 1,275,767	\$ -	\$ 56,201	\$ (1,219,566)
Special Instruction	160,654	-	14,007	(146,647)
Pupil Services	20,866	-	-	(20,866)
General Administration Services	138,408	-	-	(138,408)
School Administration Services	80,809	-	-	(80,809)
Operation and Maintenance	476,411	-	-	(476,411)
Pupil Transportation	135,918	-	101,565	(34,353)
Student Activities	86,081	-	-	(86,081)
School Food Services	133,637	32,283	43,291	(58,063)
Community Services	32,682	-	-	(32,682)
	<u>\$ 2,541,233</u>	<u>\$ 32,283</u>	<u>\$ 215,064</u>	<u>(2,293,886)</u>
General Revenues				
Taxes				
Taxes Levied for General Purposes				622,010
Taxes Levied for Building Purposes				14,832
State Aid, not restricted for specific purpose				1,545,946
Interest and Investment Earnings				20,986
Miscellaneous				30,208
Total General Revenues				<u>2,233,982</u>
Change in Net Position				(59,904)
Net Position, Beginning of Year				<u>2,367,053</u>
Net Position, End of Year				<u>\$ 2,307,149</u>

See Notes to Financial Statements

**ASHLEY PUBLIC SCHOOL DISTRICT**  
**Ashley, North Dakota**

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

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Regular Instruction	\$ 1,290,250	\$ -	\$ 128,179	\$ (1,162,071)
Special Instruction	152,283	-	27,472	(124,811)
Vocational Instruction	-	-	8,371	8,371
Pupil Services	20,761	-	-	(20,761)
General Administration Services	124,709	-	-	(124,709)
School Administration Services	79,278	-	-	(79,278)
Operation and Maintenance	430,765	-	-	(430,765)
Pupil Transportation	175,916	-	106,400	(69,516)
Student Activities	95,322	-	-	(95,322)
School Food Services	139,326	43,061	45,048	(51,217)
Community Services	32,518	-	-	(32,518)
	<u>\$ 2,541,128</u>	<u>\$ 43,061</u>	<u>\$ 315,470</u>	(2,182,597)
General Revenues				
Taxes				
Taxes Levied for General Purposes				642,122
Taxes Levied for Debt Purposes				6
Taxes Levied for Building Purposes				15,594
State Aid, not restricted for specific purpose				1,401,714
Interest and Investment Earnings				29,939
Miscellaneous				<u>17,880</u>
Total General Revenues				<u>2,107,255</u>
Change in Net Position				(75,342)
Net Position, Beginning of Year				<u>2,442,395</u>
Net Position, End of Year				<u>\$ 2,367,053</u>

See Notes to Financial Statements

**ASHLEY PUBLIC SCHOOL DISTRICT**  
**Ashley, North Dakota**

**BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**June 30, 2020**

	Major Funds			Other	Total
	General Fund	Special Reserve	Capital Projects	Governmental Funds	Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 426,591	\$ -	\$ 133,958	\$ 31,788	\$ 592,337
Savings and CD's	451,464	228,139	105,942	74,077	859,622
Payroll Assets	4,830	-	-	-	4,830
Total Assets	882,885	228,139	239,900	105,865	1,456,789
FUND BALANCE					
Restricted	-	228,139	239,900	74,077	542,116
Assigned	-	-	-	31,788	31,788
Unassigned	882,885	-	-	-	882,885
Fund Balance	882,885	228,139	239,900	105,865	1,456,789
Total Liabilities and Fund Balance	\$ 882,885	\$ 228,139	\$ 239,900	\$ 105,865	\$ 1,456,789

See Notes to Financial Statements

**ASHLEY PUBLIC SCHOOL DISTRICT**  
**Ashley, North Dakota**

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

	Major Funds			Other	Total
	General Fund	Special Reserve	Capital Projects	Governmental Funds	Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 454,046	\$ -	\$ 126,580	\$ 53,876	\$ 634,502
Savings and CD's	442,522	237,550	89,914	73,762	843,748
Total Assets	896,568	237,550	216,494	127,638	1,478,250
LIABILITIES					
Payroll Liabilities	41,057	-	-	-	41,057
Total Liabilities	41,057	-	-	-	41,057
FUND BALANCE					
Restricted	-	237,550	216,494	73,762	527,806
Assigned	-	-	-	53,876	53,876
Unassigned	855,511	-	-	-	855,511
Fund Balance	855,511	237,550	216,494	127,638	1,437,193
Total Liabilities and Fund Balance	\$ 896,568	\$ 237,550	\$ 216,494	\$ 127,638	\$ 1,478,250

See Notes to Financial Statements

**ASHLEY PUBLIC SCHOOL DISTRICT**  
**Ashley, North Dakota**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS  
TO THE STATEMENTS OF NET POSITION – MODIFIED CASH BASIS  
June 30, 2020 and 2019**

---

Total Fund Balance - Governmental Funds June 30, 2020		\$	1,456,789
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	8,102,745		
Less Accumulated Depreciation	(7,052,385)		
Net Capital Assets			1,050,360
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	(200,000)		
Total Long-term Liabilities			(200,000)
Total Net Position of Governmental Activities June 30, 2020		\$	2,307,149
Total Fund Balance - Governmental Funds June 30, 2019		\$	1,437,193
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	7,947,165		
Less Accumulated Depreciation	(6,817,305)		
Net Capital Assets			1,129,860
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	(200,000)		
Total Long-term Liabilities			(200,000)
Total Net Position of Governmental Activities June 30, 2019		\$	2,367,053

See Notes to Financial Statements

**ASHLEY PUBLIC SCHOOL DISTRICT**  
**Ashley, North Dakota**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS  
Year Ended June 30, 2020**

	Major Funds			Other	Total
	General Fund	Special Reserve	Capital Projects	Governmental Funds	Governmental Funds
<b>REVENUES</b>					
Local Sources	\$ 622,010	\$ -	\$ 14,832	\$ 32,283	\$ 669,125
State Sources	1,695,330	-	-	262	1,695,592
Federal Sources	22,389	-	-	43,029	65,418
Interest Income	12,303	4,589	2,582	1,512	20,986
Miscellaneous Income	30,208	-	-	-	30,208
Total Revenues	2,382,240	4,589	17,414	77,086	2,481,329
<b>EXPENDITURES</b>					
Current					
Regular Instruction	1,246,809	-	-	-	1,246,809
Special Instruction	160,654	-	-	-	160,654
Pupil Services	20,866	-	-	-	20,866
General Administration Services	138,408	-	-	-	138,408
School Administration Services	80,809	-	-	-	80,809
Operation and Maintenance	295,668	-	8,008	-	303,676
Pupil Transportation	258,111	-	-	-	258,111
Student Activities	86,081	-	-	-	86,081
School Food Services	82,125	-	-	51,512	133,637
Community Services	31,682	-	-	1,000	32,682
Total Expenditures	2,401,213	-	8,008	52,512	2,461,733
Excess (Deficiency) of over Expenditures	(18,973)	4,589	9,406	24,574	19,596
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating Transfer In	46,347	-	14,000	-	60,347
Operating Transfer Out	-	(14,000)	-	(46,347)	(60,347)
Total Other Financing Sources (Uses)	46,347	(14,000)	14,000	(46,347)	-
NET CHANGE IN FUND BALANCE	27,374	(9,411)	23,406	(21,773)	19,596
FUND BALANCE, BEGINNING OF YEAR	855,511	237,550	216,494	127,638	1,437,193
FUND BALANCE, END OF YEAR	\$ 882,885	\$ 228,139	\$ 239,900	\$ 105,865	\$ 1,456,789

See Notes to Financial Statements

**ASHLEY PUBLIC SCHOOL DISTRICT**  
**Ashley, North Dakota**

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

	Major Funds				
	General Fund	Special Reserve	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Local Sources	\$ 642,122	\$ -	\$ 15,600	\$ 43,061	\$ 700,783
State Sources	1,620,087	-	-	204	1,620,291
Federal Sources	52,049	-	-	44,844	96,893
Interest Income	16,081	8,425	1,882	3,551	29,939
Miscellaneous Income	17,880	-	-	-	17,880
Total Revenues	2,348,219	8,425	17,482	91,660	2,465,786
EXPENDITURES					
Current					
Regular Instruction	1,260,442	-	-	-	1,260,442
Special Instruction	152,283	-	-	-	152,283
Pupil Services	20,761	-	-	-	20,761
General Administration Services	124,709	-	-	-	124,709
School Administration Services	79,278	-	-	-	79,278
Operation and Maintenance	250,225	-	7,805	-	258,030
Pupil Transportation	227,138	-	-	-	227,138
Student Activities	95,322	-	-	-	95,322
School Food Services	80,481	-	-	58,845	139,326
Community Services	30,518	-	-	2,000	32,518
Total Expenditures	2,321,157	-	7,805	60,845	2,389,807
Excess of Revenues over Expenditures	27,062	8,425	9,677	30,815	75,979
OTHER FINANCING SOURCES (USES)					
Operating Transfer In	28,102	-	14,000	-	42,102
Operating Transfer Out	-	(14,000)	-	(28,102)	(42,102)
Total Other Financing Sources (Uses)	28,102	(14,000)	14,000	(28,102)	-
NET CHANGE IN FUND BALANCE	55,164	(5,575)	23,677	2,713	75,979
FUND BALANCE, BEGINNING OF YEAR	800,347	243,125	192,817	124,925	1,361,214
FUND BALANCE, END OF YEAR	\$ 855,511	\$ 237,550	\$ 216,494	\$ 127,638	\$ 1,437,193

See Notes to Financial Statements

**ASHLEY PUBLIC SCHOOL DISTRICT**  
**Ashley, 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, 2020 and 2019**

---

Net Change in Fund Balances - Total Government Funds June 30, 2020	\$ 19,596
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets with a cost greater than \$5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year.	(79,500)
Change in Net Position of Governmental Activities June 30, 2020	<u>\$ (59,904)</u>
Net Change in Fund Balances - Total Government Funds June 30, 2019	\$ 75,979
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets with a cost greater than \$5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year.	(151,321)
Change in Net Position of Governmental Activities June 30, 2019	<u>\$ (75,342)</u>

See Notes to Financial Statements

**ASHLEY PUBLIC SCHOOL DISTRICT**  
**Ashley, North Dakota**

**STATEMENTS OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUNDS – MODIFIED CASH BASIS**  
**June 30, 2020 and 2019**

---

	Agency Funds	
	2020	2019
Assets		
Cash and Investments	\$ 99,669	\$ 90,633
Total Assets	99,669	90,633
Liabilities		
Due to Groups	99,669	90,633
Total Liabilities	\$ 99,669	\$ 90,633

See Notes to Financial Statements

**ASHLEY PUBLIC SCHOOL DISTRICT**  
**Ashley, North Dakota**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Ashley Public School District, Ashley, 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 Ashley 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 Ashley 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 Ashley Public School District.

Based on these criteria, there are no component units to be included within the Ashley 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 (Ashley 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* – 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. *Special Revenue Fund* – Used to account for resources restricted to, or designated for, specific purposes by the District.
3. *Capital Projects Fund* – Used to account for financial resources related to capital outlays made by the District.

**ASHLEY 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. *Food Service Fund* – Used to account for food service revenues and expenditures.
  - b. *Wishek Scholarship Fund* – Used to account for financial resources related to scholarships made by the District.
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, and 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.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

**D. Cash and Investments**

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

**E. Capital Assets**

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

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

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

**F. Vacation Pay, Sick Pay, Personal Days**

**ASHLEY PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements – Continued**

---

The expenditures for vacation pay are recognized when payment is made. Employees of the District are allowed the following days:

- Sick Pay
  - Teachers/Administrators  
§ 10 days per year accumulate to 90 days.
  - Cooks/Paras  
§ 7 days per year accumulative to 27 days.
  - Custodians/Bus Manager  
§ 12 days per year accumulative to 30 days.
- Personal Days
  - Teachers  
§ 2 days per year accumulative to 6 days.
  - Principal  
§ 4 days per year accumulative to 4 days.
  - Superintendent  
§ 5 days per year accumulative to 5 days.
  - Cooks/Paras  
§ 2 days per year accumulative to 3 days.
- Vacation Days
  - Superintendent  
§ 15 days per year accumulative to 30 days.
  - Custodians/Bus Manager  
§ 12 days per year accumulative to 30 days.

**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**

GASB Statement No. 54 established new fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restriction or limitations) imposed upon the use of the resources reported in governmental funds.

*Fund Balance Spending Policy:*

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

*Budget Stabilization Policy:*

Replenishing deficiencies - when fund balance falls below the minimum 10 percent range, the District will replenish shortages/deficiencies using the budget strategies and time frames described as follows:

The following budgetary strategies shall be utilized by the District to replenish funding deficiencies:

- The District will reduce recurring expenditures to eliminate any structural deficit; or
- The District will increase revenues or pursue funding sources; or
- Some combination of the two operations above.

**ASHLEY PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements – Continued**

*GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions*

GASB Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions” provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints and the purpose for which resources can be used:

<b>CLASSIFICATION</b>	<b>DEFINITION</b>	<b>EXAMPLES</b>
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables, endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the School Board. Formal action is required to be taken to establish, modify, or rescind a fund balance commitment.	By board action, construction claims and judgements, retirements of loans and notes payable, capital expenditures, and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the business manager.	By board action, construction claims and judgements, retirements of loans and notes payable, capital expenditures, and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is a fund balance that has not been reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.	Available for any remaining general fund expenditure.

**ASHLEY PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements – Continued**

---

*Restricted Fund Balance*

1. Special Revenue Fund
  - a. Fund used for special uses as restricted by state law. In accordance with NDCC 57-19-01, the ending fund balance is limited to the amount generated by fifteen (15) mills times the taxable valuation of the District. Restricted by enabling legislation and tax levy.
2. Capital Projects Fund
  - a. Fund used for capital asset acquisition or expenditure. Restricted by enabling legislation, tax levy, and bond indenture.
3. Wishek Scholarship Fund
  - a. Fund used for scholarships provided by the District. Restricted by donor request.

*Assigned Fund Balance*

1. Food Service Fund
  - a. Restricted state and federal resources are spent first and reimbursed by each year-end. Any remaining fund balance is normally left in the food service fund at each year-end, but may be spent at the discretion of the business manager (authority given from the governing board). Assigned by federal and state reimbursements for free and reduced meals and grants.

*Unassigned Fund Balance*

1. General Fund
  - a. Consists of the amount reported in the General Fund at year-end.

*Net Position*

The District implemented the provisions of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position during the year ended June 30, 2013.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Net Investment in capital assets is reported for capital assets less accumulated depreciation and any related debt used to construct them. The resources needed to repay this related debt must be provided from other sources, since capital assets are not used to liquidate these liabilities. These assets are not available for future spending.

Restrictions of net position, shown in the Statement of Net Position, are due to restricted tax levies and bond indenture capital construction requirements for capital projects and special purposes. Unrestricted net position is primarily unrestricted amounts related to the general fund and any negative fund balances. The unrestricted net position is available to meet the District's ongoing obligations.

**I. 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, 2020 and 2019.

**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, 2020 and 2019, the District's carrying amounts of deposits were \$1,551,628 and \$1,568,883 and the bank balances were \$1,794,928 and \$1,743,535. Of the bank balances, \$250,000 was covered by Federal Depository Insurance and the remaining bank balances were collateralized with securities held by pledging financial institution's agents in the government's name.

*Credit Risk:*

The 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.

As of June 30, 2020 and 2019, the District held certificates of deposits totaling \$859,622 and \$843,748.

*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.

**ASHLEY PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements – Continued**

**NOTE 4 – CAPITAL ASSETS**

The following is a summary of changes in capital assets for the years ended June 30, 2020 and 2019:

	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020
Governmental Activities:				
Capital Assets, being depreciated				
Buildings and Improvements	\$ 7,049,541	\$ -	\$ -	\$ 7,049,541
Vehicles	395,642	155,580	-	551,222
Equipment	501,982	-	-	501,982
Total Capital Assets, being depreciated	7,947,165	155,580	-	8,102,745
Less Accumulated Depreciation for:				
Buildings and Improvements	6,140,410	172,735	-	6,313,145
Vehicles	258,848	33,387	-	292,235
Equipment	418,047	28,958	-	447,005
Total Accumulated Depreciation	6,817,305	235,080	-	7,052,385
Total Capital Assets Being Depreciated, net	1,129,860	(79,500)	-	1,050,360
Governmental Activities Capital Assets, net	<u>\$ 1,129,860</u>	<u>\$ (79,500)</u>	<u>\$ -</u>	<u>\$ 1,050,360</u>

	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019
Governmental Activities:				
Capital Assets, being depreciated				
Buildings and Improvements	\$ 7,049,541	\$ -	\$ -	\$ 7,049,541
Vehicles	317,845	77,797	-	395,642
Equipment	501,982	-	-	501,982
Total Capital Assets, being depreciated	7,869,368	77,797	-	7,947,165
Less Accumulated Depreciation for:				
Buildings and Improvements	5,967,675	172,735	-	6,140,410
Vehicles	232,273	26,575	-	258,848
Equipment	388,239	29,808	-	418,047
Total Accumulated Depreciation	6,588,187	229,118	-	6,817,305
Total Capital Assets Being Depreciated, net	1,281,181	(151,321)	-	1,129,860
Governmental Activities Capital Assets, net	<u>\$ 1,281,181</u>	<u>\$ (151,321)</u>	<u>\$ -</u>	<u>\$ 1,129,860</u>

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

	2020	2019
Governmental Activities:		
Regular Instruction	\$ 28,958	\$ 29,808
Operation and Maintenance	172,735	172,735
Pupil Transportation	33,387	26,575
Total Depreciation Expense - Governmental Activities	<u>\$ 235,080</u>	<u>\$ 229,118</u>

**NOTE 5 – LONG-TERM LIABILITIES**

During the years ended June 30, 2020 and 2019, the following changes occurred in liabilities reported in long-term liabilities:

	Long-term Liabilities at July 1, 2019	Increases	Decreases	Long-term Liabilities at June 30, 2020	Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	\$ 200,000	\$ -	\$ -	\$ 200,000	\$ -
Total - Governmental Activities	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ -</u>

	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	\$ 200,000	\$ -	\$ -	\$ 200,000	\$ -
Total - Governmental Activities	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ -</u>

Long-term debt of the governmental activities at June 30, 2020 and 2019 consists of the following issues:

- General Obligation Bonds Payable
  - \$200,000 General Obligation School Building Fund Bonds Series 2010 due in full July 1, 2026 at a rate of 0%.

The debt service requirements are as follows:

General Obligation School Building Fund Bonds Series 2010  
 (Dated March 16, 2010, Due annually to July 1, 2026)

Year Ending June 30,	Rate	Principal	Interest	Payment
2021	0.00%	\$ -	\$ -	\$ -
2022	0.00%	-	-	-
2023	0.00%	-	-	-
2024	0.00%	-	-	-
2025	0.00%	-	-	-
2026 - 2027	0.00%	200,000	-	200,000
Totals		<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 200,000</u>

**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 \$981,672 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, 2020 and 2019, no claims were filed for unemployment benefits.

## **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.

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

At June 30, 2020 and 2019, if the District were to report on the full accrual basis, a liability of \$1,902,391 and \$1,857,181 for its proportionate share of the net pension liability would have been reported. The net pension liability was measured as of June 30, 2019 and 2018 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, 2020 and 2019 the District's proportion was .138129% and .139338%. The District's pension contributions for the years ended June 30, 2020 and 2019 was \$125,670 and \$123,550.

**Actuarial Assumptions**

The total pension liability in the July 1, 2019 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, 2019, 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, 2019, 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%	6.90%
Global Fixed Income	23%	2.10%
Global Real Assets	18%	5.40%
Cash Equivalents	1%	0.00%

### **Discount Rate**

The discount rate used to measure the total pension liability was 7.75% as of June 30, 2019. 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, 2019, 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, 2019. 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, 2019.

### **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](http://www.nd.gov/rio/sib/publications/cafr/default.htm).

### **NOTE 8 – RETIREMENT PLAN**

The District established a SIMPLE IRA for ancillary employees where the District will match salary deferrals up to 3%. For June 30, 2020 and 2019 the amounts the District matched was \$5,215 and \$5,700.

### **NOTE 9 – JOINT VENTURE**

The District participates in the following joint ventures:

#### **A. South Central Prairie Special Ed 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 South Valley Multi-District 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, 2020 and 2019 was \$7,772 and \$7,510.

### **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.

**ASHLEY 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, 2018. The misstatement includes an understatement of fixed assets and accumulated depreciation and the omission of the Wishek Scholarship Fund. Capital assets and accumulated depreciation have been corrected to reflect the additions and the Wishek Scholarship Fund has been added to the governmental funds. The District made the following correction:

Net Position, previously reported	\$ 2,326,956
Fixed Assets	332,930
Accumulated Depreciation	(289,930)
Wishek Scholarship Fund	72,439
Net Position, restated	<u>\$ 2,442,395</u>

**NOTE 13 – TRANSFERS**

The following is a summary of transfers for the years ended June 30, 2020 and 2019:

Fund	2020		2019	
	Transfers In	Transfers Out	Transfers In	Transfers Out
General Fund	\$ 46,347	\$ -	\$ 28,102	\$ -
Special Reserve	-	14,000	-	14,000
Capital Projects	14,000	-	14,000	-
Food Service	-	46,347	-	28,102
Totals	<u>\$ 60,347</u>	<u>\$ 60,347</u>	<u>\$ 42,102</u>	<u>\$ 42,102</u>

Transfers from the food service fund to the general fund were for reimbursement of food service expenditures in the general fund. Transfers from the special reserve fund to the capital projects fund relate to the accumulation of resources for future bond payments.

**NOTE 14 – SUBSEQUENT EVENTS**

The District has evaluated subsequent events through May 9, 2022, the date on which the financial statements were available to be issued.

**ASHLEY PUBLIC SCHOOL DISTRICT**  
**Ashley, North Dakota**

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – MODIFIED CASH BASIS**  
**Year Ended June 30, 2020**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Local Sources	\$ 599,637	\$ 599,637	\$ 622,010	\$ 22,373
State Sources	1,711,084	1,711,084	1,695,330	(15,754)
Federal Sources	85,893	85,893	22,389	(63,504)
Interest Income	11,000	11,000	12,303	1,303
Miscellaneous Income	22,000	22,000	30,208	8,208
Total Revenues	2,429,614	2,429,614	2,382,240	(47,374)
<b>EXPENDITURES</b>				
Current				
Regular Instruction	1,265,139	1,265,139	1,246,809	18,330
Special Instruction	196,480	196,480	160,654	35,826
Pupil Services	21,420	21,420	20,866	554
General Administration Services	138,905	138,905	138,408	497
School Administration Services	182,615	182,615	80,809	101,806
Operation and Maintenance	285,320	285,320	295,668	(10,348)
Pupil Transportation	249,005	249,005	258,111	(9,106)
Student Activities	98,425	98,425	86,081	12,344
School Food Services	81,205	81,205	82,125	(920)
Community Services	32,640	32,640	31,682	958
Total Expenditures	2,551,154	2,551,154	2,401,213	149,941
Excess (Deficiency) of Revenues over Expenditures	(121,540)	(121,540)	(18,973)	102,567
<b>OTHER FINANCING SOURCES</b>				
Operating Transfer In	25,000	25,000	46,347	21,347
Total Other Financing Sources	25,000	25,000	46,347	21,347
NET CHANGE IN FUND BALANCE	(96,540)	(96,540)	27,374	123,914
FUND BALANCE, BEGINNING OF YEAR			855,511	
FUND BALANCE, END OF YEAR			\$ 882,885	

**ASHLEY PUBLIC SCHOOL DISTRICT**  
**Ashley, North Dakota**

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Local Sources	\$ 631,605	\$ 631,605	\$ 642,122	\$ 10,517
State Sources	1,610,571	1,610,571	1,620,087	9,516
Federal Sources	74,776	74,776	52,049	(22,727)
Interest Income	5,000	5,000	16,081	11,081
Miscellaneous Income	15,000	15,000	17,880	2,880
Total Revenues	2,336,952	2,336,952	2,348,219	11,267
<b>EXPENDITURES</b>				
Current				
Regular Instruction	1,283,171	1,283,171	1,260,442	22,729
Special Instruction	151,560	151,560	152,283	(723)
Pupil Services	20,720	20,720	20,761	(41)
General Administration Services	125,975	125,975	124,709	1,266
School Administration Services	178,597	178,597	79,278	99,319
Operation and Maintenance	266,425	266,425	250,225	16,200
Pupil Transportation	241,750	241,750	227,138	14,612
Student Activities	97,880	97,880	95,322	2,558
School Food Services	81,000	81,000	80,481	519
Community Services	31,420	31,420	30,518	902
Total Expenditures	2,478,498	2,478,498	2,321,157	157,341
Excess (Deficiency) of Revenues over Expenditures	(141,546)	(141,546)	27,062	168,608
<b>OTHER FINANCING SOURCES</b>				
Operating Transfer In	20,000	20,000	28,102	8,102
Total Other Financing Sources	20,000	20,000	28,102	8,102
<b>NET CHANGE IN FUND BALANCE</b>	(121,546)	(121,546)	55,164	176,710
<b>FUND BALANCE, BEGINNING OF YEAR</b>			800,347	
<b>FUND BALANCE, END OF YEAR</b>			\$ 855,511	

**ASHLEY PUBLIC SCHOOL DISTRICT**  
**Ashley, North Dakota**

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEET – MODIFIED CASH BASIS**  
**June 30, 2020**

---

	Food Service	Wishek Scholarship	Total Other Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 31,788	\$ -	\$ 31,788
Savings and CD's	-	74,077	74,077
Total Assets	31,788	74,077	105,865
FUND BALANCE			
Restricted	-	74,077	74,077
Assigned	31,788	-	31,788
Fund Balance	31,788	74,077	105,865
Total Liabilities and Fund Balance	\$ 31,788	\$ 74,077	\$ 105,865

**ASHLEY PUBLIC SCHOOL DISTRICT**  
**Ashley, North Dakota**

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

---

	Food Service	Wishek Scholarship	Total Other Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 53,876	\$ -	\$ 53,876
Savings and CD's	-	73,762	73,762
Total Assets	53,876	73,762	127,638
FUND BALANCE			
Restricted	-	73,762	73,762
Assigned	53,876	-	53,876
Fund Balance	53,876	73,762	127,638
Total Liabilities and Fund Balance	\$ 53,876	\$ 73,762	\$ 127,638

**ASHLEY PUBLIC SCHOOL DISTRICT**  
**Ashley, North Dakota**

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE – MODIFIED CASH BASIS**  
**Year Ended June 30, 2020**

---

	Food Service	Wishek Scholarship	Total Other Governmental Funds
REVENUES			
Local Sources	\$ 32,283	\$ -	\$ 32,283
State Sources	262	-	262
Federal Sources	43,029	-	43,029
Interest Income	197	1,315	1,512
Total Revenues	75,771	1,315	77,086
EXPENDITURES			
Current			
School Food Services	51,512	-	51,512
Community Services	-	1,000	1,000
Total Expenditures	51,512	1,000	52,512
Excess of Revenues over Expenditures	24,259	315	24,574
OTHER FINANCING SOURCES (USES)			
Operating Transfer Out	(46,347)	-	(46,347)
Total Other Financing Sources (Uses)	(46,347)	-	(46,347)
NET CHANGE IN FUND BALANCE	(22,088)	315	(21,773)
FUND BALANCE, BEGINNING OF YEAR	53,876	73,762	127,638
FUND BALANCE, END OF YEAR	\$ 31,788	\$ 74,077	\$ 105,865

**ASHLEY PUBLIC SCHOOL DISTRICT**  
**Ashley, North Dakota**

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

---

	Food Service	Wishek Scholarship	Total Other Governmental Funds
REVENUES			
Local Sources	\$ 43,061	\$ -	\$ 43,061
State Sources	204	-	204
Federal Sources	44,844	-	44,844
Interest Income	228	3,323	3,551
Total Revenues	88,337	3,323	91,660
EXPENDITURES			
Current			
School Food Services	58,845	-	58,845
Community Services	-	2,000	2,000
Total Expenditures	58,845	2,000	60,845
Excess of Revenues over Expenditures	29,492	1,323	30,815
OTHER FINANCING SOURCES (USES)			
Operating Transfer Out	(28,102)	-	(28,102)
Total Other Financing Sources (Uses)	(28,102)	-	(28,102)
NET CHANGE IN FUND BALANCE	1,390	1,323	2,713
FUND BALANCE, BEGINNING OF YEAR	52,486	72,439	124,925
FUND BALANCE, END OF YEAR	\$ 53,876	\$ 73,762	\$ 127,638



**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  
Ashley Public School District  
Ashley, 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 Ashley Public School District, as of and for the years ended June 30, 2020 and 2019, and the related notes to financial statements, which collectively comprise the Ashley Public School District's basic financial statements, and have issued our report thereon dated May 9, 2022.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Ashley Public School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ashley 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 (2020-001 and 2020-002).

### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Ashley 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***District's Response to Findings***

Government Auditing Standards require the auditor to perform limited procedures on the Ashley Public School District's response to the finding identified in our audit and described in the accompanying schedule of current year findings. The Ashley 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  
Wahpeton, North Dakota  
May 9, 2022

**ASHLEY PUBLIC SCHOOL DISTRICT**  
**Ashley, North Dakota**

**SCHEDULE OF CURRENT YEAR FINDINGS**  
**Years ended June 30, 2020 and 2019**

---

*2020-001 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.

**Cause**

The entity's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

**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.

**ASHLEY PUBLIC SCHOOL DISTRICT**  
**Schedule of Current Year Findings – Continued**

---

*2020-002 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.

**ASHLEY PUBLIC SCHOOL DISTRICT**  
**Ashley, North Dakota**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Years ended June 30, 2020 and 2019**

---

**Prior Financial Statement Findings:**

*2018-1*

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 2020-001.