

**VALLEY CITY PUBLIC SCHOOL DISTRICT
VALLEY CITY, NORTH DAKOTA**

**FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

Valley City Public School District
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VALLEY CITY PUBLIC SCHOOL DISTRICT
LIST OF OFFICIALS
JUNE 30, 2020

BOARD OF EDUCATION:

OFFICE

Joyce Braunagel	President
Patrick Callahan	Vice-president
Ryan Mathias	
Val Moritz	
Natalie Wintch	

ADMINISTRATION:

Josh Johnson	Superintendent
Tom Vanorny	Business Manager

Harold J. Rotunda

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

Governing Board
Valley City Public School District
Valley City, North Dakota

I have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Valley City Public School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 in 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my 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 Valley City Public School District as of June 30, 2020, and the changes in modified cash basis financial position and cash flows, where applicable, thereof for the year then ended, in accordance with the basis of accounting described in Note 1.

Basis of Accounting

I 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 U.S. generally accepted accounting principles. My opinion is not modified with respect to that matter.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Valley City Public School District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and is not a required part of the basic financial statements. In my opinion, the Schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basis financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued reports dated June 1, 2024, on my considerations of the District's internal control over financial reporting and on my 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 my 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 the District's internal control over financial reporting and compliance.

Fargo, North Dakota
June 1, 2024

VALLEY CITY PUBLIC SCHOOL
STATEMENT OF NET POSITION- MODIFIED CASH BASIS
JUNE 30, 2020

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and investments	4,271,109.84
Accounts receivable	270,144.04
Capital assets (net of accumulated depreciation)	8,419,623.87
Total Assets	12,960,877.75
LIABILITIES	
Accrued salaries and benefits payable	184,893.83
Long-term liabilities:	
Due within one year:	
Bonds payable	80,000.00
Notes payable	30,764.57
Due after one year:	
Bonds payable	1,850,000.00
Notes payable	-
Total liabilities	2,145,658.40
NET POSITION	
Net investment in capital assets	6,458,859.30
Restricted for:	
Capital projects	982,541.10
Special Purposes	329,903.18
Unrestricted	3,043,915.77
Total Net Position	10,815,219.35

The accompanying notes are an integral part of these financial statements.

VALLEY CITY PUBLIC SCHOOL
STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2020

		Program Revenues		Net (expense) Revenue & Changes in Net Position
	Expenses	Charges for Services	Operating grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction				
Regular	8,565,626.17		445,134.00	(8,120,492.17)
Special Education	427,411.25		92,101.96	(335,309.29)
Vocational Education	387,253.83		52,199.50	(335,054.33)
Support Services				-
Administrative	1,374,310.27			(1,374,310.27)
Operation & maintenance	883,045.97			(883,045.97)
Pupil Transportation Services	440,890.71		143,287.90	(297,602.81)
Extracurricular	475,258.33			(475,258.33)
Food Service	864,720.70	344,707.88	504,350.51	(15,662.31)
Debt Service				
Interest expense	73,858.91			(73,858.91)
Capital outlays	168,934.45			(168,934.45)
Depreciation- Operation	175,463.07			(175,463.07)
Depreciation- Food Service	44,162.68			(44,162.68)
Total Governmental Activities	13,880,936.34	344,707.88	1,237,073.87	(12,299,154.59)
General Revenues				
Taxes:				
Property taxes, levied for general purposes				3,933,083.41
Property taxes levied for debt service				
Other tax revenue				
State aid not restricted to specific program:				
Per pupil aid				8,458,235.08
Interest income and other revenue				818,174.29
Total General Revenues				13,209,492.78
Change in Net Position				910,338.19
Net Position- July 1				9,904,881.16
Net Position- June 30				10,815,219.35

The accompanying notes are an integral part of these financial statements.

VALLEY CITY PUBLIC SCHOOL
BALANCE SHEET- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
JUNE 30, 2020

	GENERAL	BUILDING	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and investments	2,005,951.93	982,541.10	-	334,284.54	3,322,777.57
Accounts receivable	270,144.04			-	270,144.04
 Total Assets	 2,276,095.97	 982,541.10	 -	 334,284.54	 3,592,921.61
LIABILITIES					
Accounts Payable	-				-
Salaries and benefits payable	180,512.47			4,381.36	184,893.83
 Total liabilities	 180,512.47	 -	 -	 4,381.36	 184,893.83
 FUND BALANCE					
Restricted for Capital Projects		982,541.10			982,541.10
Restricted for Food Service			-	49,426.75	49,426.75
Restricted for Special Reserve				280,476.43	280,476.43
Unassigned	2,095,583.50			-	2,095,583.50
 Total fund balance	 2,095,583.50	 982,541.10	 -	 329,903.18	 3,408,027.78
 Total liabilities and fund balance	 2,276,095.97	 982,541.10	 -	 334,284.54	 3,592,921.61

The accompanying notes are an integral part of these financial statements.

VALLEY CITY PUBLIC SCHOOL
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
 SHEET TO THE STATEMENT OF NET POSITION
 JUNE 30, 2020

Total Fund Balances for Governmental Funds	3,408,027.78
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Total net position reported for governmental 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 governmental funds

Cost of capital assets	26,641,959.18	
Less accumulated depreciation	18,222,335.31	
Net capital assets		8,419,623.87

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. All liabilities- both current and long-term are reported in the statement of net position. Balances at year end are:

Bonds payable	(1,930,000.00)
Q-zab loan	(30,764.57)

An internal service fund is used by the District to charge the cost of medical insurance to individual functions. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets. Internal Service Fund net position is:

948,332.19

Total Net Position of Governmental Activities	10,815,219.27
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The accompanying notes are an integral part of these financial statements.

VALLEY CITY PUBLIC SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2020

	GENERAL	BUILDING	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Property taxes	3,337,598.47	481,907.73	-	113,577.21	3,933,083.41
Other local sources	118,666.16	286,239.35	4,712.09	362,985.90	772,603.50
State sources	8,752,822.44	-		4,251.80	8,757,074.24
Federal sources	445,134.00			500,098.71	945,232.71
Total Revenues	12,654,221.07	768,147.08	4,712.09	980,913.62	14,407,993.86
Current:					
Instruction					
Regular	8,565,626.17				8,565,626.17
Special Education	427,411.25				427,411.25
Vocational Education	387,253.83				387,253.83
Support Services					
Administrative	1,374,310.27				1,374,310.27
Operation & maintenance	883,045.97				883,045.97
Pupil Transportation Services	440,890.71				440,890.71
Extracurricular	475,258.33				475,258.33
Food Service				864,720.70	864,720.70
Debt Service					
Principal		100,458.25	715,000.00	-	815,458.25
Interest expense		66,378.91	7,480.00	-	73,858.91
Capital outlays		850,756.44			850,756.44
Total Expenditures	12,553,796.53	1,017,593.60	722,480.00	864,720.70	15,158,590.83
Excess revenues (expenditures)	100,424.54	(249,446.52)	(717,767.91)	116,192.92	(750,596.97)
Other Financing Sources (Uses):					
Transfers in	125,000.00	88,074.49			213,074.49
Transfers out			(88,074.49)	(125,000.00)	(213,074.49)
Bond proceeds		-		-	-
Total other financing sources and uses	125,000.00	88,074.49	(88,074.49)	(125,000.00)	-
Net change in fund balances	225,424.54	(161,372.03)	(805,842.40)	(8,807.08)	(750,596.97)
Fund balance- beginning	1,870,159.00	1,143,913.13	805,842.40	338,710.26	4,158,624.79
Fund balance- ending	2,095,583.54	982,541.10	-	329,903.18	3,408,027.82

The accompanying notes are an integral part of these financial statements.

VALLEY CITY PUBLIC SCHOOL
 RECONCILIATION OF GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2020

Net Change in Fund Balances- Total Governmental Funds (750,596.97)

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.

Current year capital outlay	681,821.99	
Current year depreciation expense	219,625.75	462,196.24

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Notes Payable	30,458.25
Bonds Payable	785,000.00

An internal service fund is used by the District's management to charge the cost of health insurance to individual functions. The change in net position of internal service funds reported with governmental activities. 383,280.67

Change in Net Position of Governmental Activities 910,338.19

The accompanying notes are an integral part of these financial statements.

VALLEY CITY PUBLIC SCHOOL	
STATEMENT OF NET POSITION- MODIFIED CASH BASIS	
PROPRIETARY FUND	INTERNAL
JUNE 30, 2020	SERVICE
	FUND
ASSETS	
Cash and investments	948,332.19
Total Assets	948,332.19
LIABILITIES	
NET POSITION	
Unrestricted	948,332.19
Total Net Position	948,332.19

The accompanying notes are an integral part of these financial statements.

VALLEY CITY PUBLIC SCHOOL
 STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION- MODIFIED CASH BASIS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2020

OPERATING REVENUE	
Contributions to Self-insurance	1,780,567.16
OPERATING EXPENSES	
Health Insurance Claims	1,398,808.05
Total operating expenses	1,398,808.05
Operating income (loss)	381,759.11
NON-OPERATING REVENUE (EXPENSE)	
Interest income	1,521.56
Change in Net Position	383,280.67
Net Position- beginning	565,051.52
Net Position- ending	948,332.19

The accompanying notes are an integral part of these financial statements.

VALLEY CITY PUBLIC SCHOOL
STATEMENT OF CASH FLOWS- MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Received from user charges	1,780,567.16
Payments for Health Insurance Claims	(1,398,808.05)

Net cash provided by (used in) operating activities	381,759.11
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CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers to other funds
Transfers from other funds

Net cash provided by (used in) noncapital financing activities	-
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of capital assets
Debt proceeds

Net cash provided by (used in) capital and related financing activities	-
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CASH FLOWS FROM INVESTING ACTIVITIES

Interest and dividends	1,521.56
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Net cash provided by (used in) investing activities	1,521.56
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Net increase (decrease) in cash and cash equivalents	383,280.67
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Balance- beginning of year	565,051.52
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Balance- end of year	948,332.19
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The accompanying notes are an integral part of these financial statements.

VALLEY CITY PUBLIC SCHOOL
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2020

AGENCY
FUNDS

ASSETS

Cash and investments	379,113.08
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Total Assets	379,113.08
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LIABILITIES

Due to Student Groups	379,113.08
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Total liabilities	379,113.08
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The accompanying notes are an integral part of these financial statements.

VALLEY CITY PUBLIC SCHOOL DISTRICT
VALLEY CITY, NORTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Valley City Public School District (District) have been prepared on a modified cash basis of accounting. The modified cash 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. The more significant of the District's accounting policies are described below.

A. Reporting Entity

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

Based on these criteria, there are no component units.

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

Government-wide statements: The statement of net assets and the statement of activities display information about the primary government, the 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, and other nonexchange transactions.

VALLEY CITY PUBLIC SCHOOL DISTRICT
Notes to Financial Statements- Continued

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 information about the district's funds including its fiduciary funds. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

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

Building fund. The Building fund is used to account for building construction and repairs.

Debt service. The Debt Service Fund is used to account for taxes dedicated to debt payments and the related principal and interest.

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

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

VALLEY CITY PUBLIC SCHOOL DISTRICT
Notes to Financial Statements- Continued

Government-wide financial statements are prepared on the modified cash basis of accounting. This basis recognizes assets, net position, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements. In accordance with the modified cash basis of accounting, the District reports capital assets and debt. Grant reimbursement for expenses incurred are recorded as grants receivable. Payments for payroll and benefit liabilities are reported in the year that they are incurred and budgeted. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The District's governmental funds use the modified cash basis of accounting. As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable, with the exception of grants receivable for expenses incurred, 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, with the exception of payroll and benefit liabilities, 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.

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to district and employees for health insurance costs. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

VALLEY CITY PUBLIC SCHOOL DISTRICT
Notes to Financial Statements- Continued

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

D. Budgets

Based upon available financial information and requests by the school board, the superintendent and business manager prepares the district budget. The budget is prepared for the general fund on the modified cash basis of accounting. The budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year-end.

District taxes must be levied by the governing board on or before the fifteenth day of August. The taxes levied must be certified to the county auditor by August 25. The governing body of the district may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year, but the certification must be filed with the county auditor by October 10. The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.

E. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits and money market accounts and certificates of deposits with maturity of less than 90 days. Investments consist of certificates of deposits, with a maturity date in excess of 90 days, stated at cost.

F. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000. Such assets are recorded at historical 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 assets lives are not capitalized.

VALLEY CITY PUBLIC SCHOOL DISTRICT
Notes to Financial Statements- Continued

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the district is depreciated using the straight line method over the following estimated useful lives:

ASSETS	YEARS
Permanent Buildings	50
Temporary or Wood Structures	20
Vehicles	10
Equipment	10

G. Long-Term Obligations

In the government-wide financial statements, long term debt and other long term obligations are reported as liabilities in the governmental activities statement of net assets. 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. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

H. Fund Balance

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

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

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

VALLEY CITY PUBLIC SCHOOL DISTRICT
Notes to Financial Statements- Continued

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

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

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

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

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.

VALLEY CITY PUBLIC SCHOOL DISTRICT
Notes to Financial Statements- Continued

J. COMPENSATED ABSENCES

Vested or accumulated vacation leave is reported in government-wide statement of net assets. Compensation for unused vacation leave will be granted for all 12 month employees upon termination of employment with the school district based on the current rate of pay.

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets net of debt, consists of the remaining un-depreciated cost of the asset less the outstanding debt associated with the purchase or construction of the related asset.

Net assets are reported as restricted when external creditors, grantors, or other governmental organizations imposed specific restrictions on the District. External restrictions may be imposed through state or local laws, and grant or contract provisions. Restricted net assets includes: amounts restricted for debt service, capital projects and self funded health insurance.

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The school board did not amend the district budget for 2020.

EXPENDITURES OVER APPROPRIATIONS

The district did not overspend the general fund budget. No remedial action is required.

NOTE 3 DEPOSITS AND INVESTMENTS

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

VALLEY CITY PUBLIC SCHOOL DISTRICT
Notes to Financial Statements- Continued

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

Authorized collateral includes bills, notes, or bonds issued by the United State government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds, notes, warrants, and 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, instrumentalities, or by any District, District, 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.

At June 30, 2020, the District's carrying amount of deposits was \$4,650,223. Of the bank balances, \$750,000 was covered by Federal Depository Insurance. The remaining balance of \$3,900,223 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

State statutes authorize the District to invest in: (1) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an 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 or the state. (4) Obligations of the state.

Concentration of Credit Risk

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

VALLEY CITY PUBLIC SCHOOL DISTRICT
Notes to Financial Statements- Continued

NOTE 4: PROPERTY TAXES

Taxes receivable represents the past five years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes receivable.

The county treasurer acts as and agent to collect property taxes levied in the county for all taxing authorities. Any material tax collections are distributed after the end of each month.

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

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

VALLEY CITY PUBLIC SCHOOL DISTRICT
Notes to Financial Statements- Continued

NOTE 5: CAPITAL ASSETS

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

	Balance July 1	Increases	Decreases	Balance June 30
Governmental Activities				
Capital assets, not being depreciated				
Construction in progress	2,081,797	681,822		2,763,619
Capital assets, being depreciated				
Bldgs and Improvements	23,767,825			23,767,825
Vehicles & Equipment	110,515			110,515
Total Cap Assets Being Depreciated	23,878,340			23,878,340
Less accumulated depreciation for:				
Buildings & Improve	17,934,861	214,005		18,148,866
Vehicles & Equip	67,848	5,621		73,469
Total Accumulated Dep	18,002,710	219,626		18,222,335
Total Cap Assets Being Depreciated, Net	5,875,630			5,656,005
Governmental Activities Capital Assets, Net	7,957,428			8,419,624

Depreciation Expense was charged to functions/programs of the district as follows:

Governmental Activities:	
School Food Services	44,163
Operations and Maintenance	175,463
Unallocated	
Total Dep Exp-Gov Activities	219,626

NOTE 6: LONG-TERM DEBT

Changes in Long-Term Liabilities - During the year ended June 30, 2020, the following changes occurred in liabilities reported in long-term debt:

VALLEY CITY PUBLIC SCHOOL DISTRICT
Notes to Financial Statements- Continued

	Payable 2019	Increases	Decreases	Payable 2020	Due Within One Year
Bonds Payable	2,715,000		785,000	1,930,000	80,000
Qzab loan	61,223		30,458	30,765	30,765
TOTAL	2,776,223		815,458	1,960,765	

Debt payable at June 30, 2020, is comprised of the following individual issues:

Bonds Payable:

Limited Tax Building Fund Bond of 2020
due in annual installments of \$70,000 to \$140,000
including interest at 3.0-3.5% through August 2037 1,930,000

The annual long-term debt service requirements for bonds payable, as of June 30, 2020, are as follows:

Year Ending June 30	Long-Term Debt	GOVERNMENTAL ACTIVITIES	
		Principal	Interest
2021	80,000		62,775
2022	85,000		60,300
2023	85,000		57,750
2024	90,000		55,125
2025	90,000		52,425
2026-2030	505,000		211,300
2031-2035	590,000		119,487
2035-2038	405,000		21,532
TOTAL	1,930,000		640,694

The District has a Qzab lease with Dacotah Bank. The lease proceeds were used to make repairs to the school building. The lease interest rate is 1%. The District is required to make annual payments of \$31,072, until May 2021.

VALLEY CITY PUBLIC SCHOOL DISTRICT
Notes to Financial Statements- Continued

NOTE 7: PENSION PLANS

North Dakota Teachers Fund for Retirement TFFR

The school district contributes to the North Dakota Teachers Fund for retirement (TFFR), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota. TFFR provides for retirement, disability and survivor benefits to plan members and beneficiaries. Benefit and contribution provisions are administered in accordance with chapter 15-39.1 of the North Dakota Century Code. TFFR issues a publicly available financial report that includes financial statements and required supplementary information for TFFR. Detailed information about the report may be obtained on the NDPERS website.

Plan members are required to contribute 11.75% of their annual covered salary and the District is required to contribute 12.75% of the teacher's salary. The contributions requirements of plan members and the District are established and may be amended by the State legislature. The District's contributions to TFFR for the fiscal years ended June 30, 2020, 2019 and 2018 were \$1,272,505, \$1,249,269, and \$1,256,035, respectively.

North Dakota Public Employees Retirement System

The District participates in the North Dakota Public Employees Retirement System (PERS) administered by the State of North Dakota. Following is a brief description of the plan:

PERS is a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota. PERS provides for retirement, disability and death benefits to plan members and beneficiaries. If an active employee dies with less than three years of credited service, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than three years of credited service, the surviving spouse will be entitled to a single payment refund, lifetime monthly payments in an amount equal to 50% of the employees accrued normal retirement benefit, 60 monthly payments equal to the employee's accrued normal retirement benefit calculated as if the employee were age 65 the day before death occurred or monthly payments in an amount equal to the employee's accrued 100% joint and survivor retirement benefit if the member had reached normal retirement age prior to death. If the surviving spouse dies before the employee's accumulated pension benefits are paid, the balance will be paid to the surviving spouse's designated beneficiary.

VALLEY CITY PUBLIC SCHOOL DISTRICT
Notes to Financial Statements- Continued

Eligible employees, who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits that are equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the employee must meet the criteria established by the Retirement Board for being considered totally disabled.

Employees are entitled to unreduced monthly pension benefits equal to 2% of their final average salary for each year of service beginning when the sum of age and years of credited service equal or exceed 85, or at the normal retirement age (65). The plan permits early retirement at ages 55-64, with three or more years of service.

Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. This state statute requires that 7% of the participants annual covered salary be contributed to the plan by either the employee or by the employer under a "salary reduction" agreement. The District had agreed to pay 100% of the member assessments in lieu of a salary increase. The District is required to contribute 7.12% of each participant's salary as the employer's share. The District is required to contribute 1.14% of each participating covered wage to a prefunded retiree health insurance program. The required contributions are determined using an entry age normal actuarial funding method and are included in state statute. The North Dakota Retirement Board was created by the State Legislature and is the governing authority of PERS. The District's contributions to PERS for the fiscal years ending June 30, 2020, 2019, and 2018 were \$168,354, \$175,415, and \$172,464, respectively, equal to the required contributions for the year.

PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained on the NDPERS website.

VALLEY CITY PUBLIC SCHOOL DISTRICT
Notes to Financial Statements- Continued

NOTE 8: RISK MANAGEMENT

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

In 1986 state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (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 and automobile insurance coverage. The coverage by NDIRF is limited to losses of one million dollars per occurrence.

The State Bonding Fund currently provides the District with a commercial blanket bond coverage for its employees. The State Bonding fund does not currently charge any premium for this coverage.

The district has workers compensation with the Workforce, Safety and Insurance and purchases commercial insurance for personal property, building, inland marine, and boiler and machinery.

The District has retained risk for employee health and dental insurance up to a maximum of \$20,000 per year per individual. They have purchased a stop loss policy for amounts in excess of 120% of expected claims.

NOTE 9: TRANSFERS

The District transfers funds from the special reserve fund to the general fund for operating costs. The 2020 amount was \$125,000.

The District transferred the balance of the Debt Service Fund to the Building Fund. The amount was \$88,074

VALLEY CITY PUBLIC SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-through	CFDA	
<u>Grantor/Program Title</u>	<u>Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture-		
Passed through North Dakota Department of Public Instruction:		
National school lunch	10.555	\$159,065
National school breakfast	10.553	52,549
Summer Food Service Program	10.559	188,899
Food distribution	10.555	<u>52,786</u>
Total child nutrition cluster		453,299
State Administrative Expenses	10.560	3,637
Fresh fruit and vegetable	10.582	<u>35,959</u>
Total Department of Agriculture		492,895
U.S. Department of Education-		
Passed through North Dakota Department of Public Instruction:		
Title I Grants	84.010	336,504
Title II	84.367	66,849
Title IV	84.442	<u>41,781</u>
Total Department of Education		<u>445,134</u>
Total federal expenditures		938,029
		=====

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2020. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portions of the operations of the District, it is not intended to be and does not present the financial position or changes in net position of the District.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the schedule are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards wherein certain types of expenditures are allowable or are limited as to reimbursement. The District has not elected to use the 10% de minimis cost rate.

Harold J. Rotunda

Certified Public Accountant

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

Independent Auditor's Report

To the Governing Board
Valley City Public School District
Valley City, North Dakota

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Valley City Public School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise basic financial statements, and have issued my report thereon dated June 1, 2024.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements of Valley City Public School District as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, I considered Valley City 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, I do not express an opinion on the effectiveness of internal control.

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

My 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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that I consider to be significant deficiencies [2020-001, 2020-002 and 2020-003].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Valley City Public School District's financial statements are free of material misstatement, I 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 statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Valley City Public School District's Responses to Findings

Valley City Public School District's responses to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. Valley City Public School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result 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.

Harold Rotunda, CPA
June 1, 2024

Harold J. Rotunda

Certified Public Accountant

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM COMPLIANCE

Independent Auditor's Report

To the Governing Board
Valley City Public School District
Valley City, North Dakota

Report on Compliance for Each Major Federal Program

I have audited Valley City Public School District's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Valley City Public School District's major federal programs for the year ended June 30, 2020. Valley City Public School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Valley City Public School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Valley City Public School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Valley City Public School District's compliance.

Opinion on Each Major Federal Program

In my opinion, Valley City Public School District complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Valley City Public School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Valley City Public School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Valley City Public School District's internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Harold Rotunda, CPA
June 1, 2024

VALLEY CITY PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?

Governmental Activities	Unmodified
Major Funds	Unmodified
Aggregate remaining fund information	Unmodified

Internal Control over financial reporting:

Material weaknesses identified?	_____	Yes	<u> X </u>	No
Significant deficiencies identified not Considered to be material weaknesses?	<u> X </u>	Yes	_____	No
Noncompliance material to financial statements Noted?	_____	Yes	<u> X </u>	No

Federal Awards

Internal Control over major programs:

Material weaknesses identified?	_____	Yes	<u> X </u>	No
Reportable conditions identified not considered To be material weaknesses?	_____	Yes	<u> X </u>	None

Type of auditor's report issued on compliance for

Major programs:	Unmodified
Any audit findings disclosed that are required to be Reported in accordance with CFR Section 200.516?	<u> X </u> Yes _____ No

Identification of major programs:

CFDA Numbers	Name of Federal Program Or Cluster
--------------	------------------------------------

10.555	National School Lunch
10.559	Summer Food Service Program

Dollar threshold used to distinguish between Type

A and B programs:	\$750,000
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Auditee qualified as low-risk auditee?	_____	Yes	<u> X </u>	No
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VALLEY CITY PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Section II- Financial Statement Findings

2020-001 Segregation of Duties

Criteria

Generally, a system of internal control has the proper segregation of duties between the authorization, custody, record keeping and reconciliation functions.

Condition

The District's internal control structure does not provide for the proper segregation of duties and reconciliation.

Cause

Size and budget constraints limit the number of personnel within the accounting department.

Effect

The design of the internal control over financial reporting could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements

Recommendation

The above functions should be reviewed periodically and consideration given to improving the segregation of duties. Compensating controls over the underlying financial information may be obtained through oversight by management and the Board.

Views of responsible officials and planned corrective actions

The District will review its current monitoring functions and determine if any additional monitoring procedures are warranted.

VALLEY CITY PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

2020-002 Financial Statement Preparation

Criteria

Management of the District is responsible for the preparation of the District's annual financial statements to ensure that the financial statements and accompanying note disclosures are reliable, accurate, free of material misstatement in accordance with the modified cash basis of accounting.

Condition

The District does not prepare the financial statements, including the accompanying note disclosures, in conformity with the modified cash basis of accounting. Management has elected to have the financial statements and note disclosures prepared by the auditors.

Cause

Management is not fully knowledgeable of the process of preparing financial statements in compliance with the modified cash basis of accounting.

Effect

There is an increased risk of material misstatement to the District's financial statements.

Recommendation

I recommend that management continue to obtain sufficient knowledge to prepare the financial statements and accompanying note disclosures in accordance with the modified cash basis of accounting.

Views of responsible officials

Agree. The District is aware that there is a risk having the auditor prepare the financial statements and accompanying note disclosures.

Section III - Federal Award Findings and Questioned Costs

There are no findings which are required to be reported under this section.

VALLEY CITY PUBLIC SCHOOL DISTRICT
SCHEDULE OF PRIOR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2020

2019-001 Segregation of Duties

Criteria

Generally, a system of internal control has the proper segregation of duties between the authorization, custody, record keeping and reconciliation functions.

Condition

The Council's internal control structure does not provide for the proper segregation of duties and reconciliation.

Cause

Size and budget constraints limit the number of personnel within the accounting department.

Effect

The design of the internal control over financial reporting could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements

Status

This is a repeat finding, see current year finding 2020-001.

VALLEY CITY PUBLIC SCHOOL DISTRICT
SCHEDULE OF PRIOR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2020

2019-002 Financial Statement Preparation and Journal Entries

Criteria

An appropriate system of internal control requires the entity to determine that financial statements are properly stated in compliance with generally accepted accounting principles of accounting. This requires the entity's personnel to maintain knowledge of current accounting principles and required financial statement disclosures.

Condition

The Council's personnel prepare periodic financial information for internal use that meets the needs of management and the Council's Board. However, the Council has not designed internal controls to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements required by generally accepted accounting principles of accounting for external reporting. The Council is aware of this deficiency, and obtains auditor assistance in the preparation of the Council's annual financial statements.

Cause

The Council's internal controls have not been designed to address the specific training needs that are required of its personnel to obtain and maintain knowledge of current accounting principles and required financial statement disclosures.

Effect

An appropriate system of internal controls is not present to make a determination that financial statements and the related disclosures are fairly stated in compliance with generally accepted accounting principles of accounting. However, the Council is aware of the deficiency and addresses it by reviewing and approving the completed statements prior to distribution to the end users.

Status

This is a repeat finding, see current finding 2020-002

VALLEY CITY PUBLIC SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2020

2020-001

Contact Person- Tom Vanorny

Corrective Action Plan- Due to the small size of the District, it is not cost effective for the District to properly address this significant deficiency.

Completion Date- Ongoing

2020-002

Contact Person- Tom Vanorny

Corrective Action Plan- Due to the financial efficiency and time constraints, it has been determined by the District's management it is in the best interest of the District to have our auditors prepare the financial statements

Completion Date- Ongoing