

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

AUDITED FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

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June 30, 2021 and 2020

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EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

OFFICIAL DIRECTORY
June 30, 2021

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



INDEPENDENT AUDITOR'S REPORT

School Board
Edgeley Public School District
Edgeley, North Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Edgeley Public School District, as of and for the years ended June 30, 2021 and 2020, and the related notes to financial statements, which collectively comprise Edgeley Public School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Edgeley Public School District, as of June 30, 2021 and 2020 and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

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

Emphasis of a Matter

As discussed in Note 12 to the financial statements, the District has adopted the provisions of GASB 84 Statement No. 84, *Fiduciary Activities*, which has resulted in an adjustment of the net position and fund balance of the General Fund as of July 1, 2019. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

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

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

The official directory has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2023 on our consideration of Edgeley Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Edgeley Public School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Nadine Julson, LLC". The signature is written in a cursive, flowing style.

Nadine Julson, LLC
Wahpeton, North Dakota
October 24, 2023

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

STATEMENTS OF NET POSITION – MODIFIED CASH BASIS
June 30, 2021 and 2020

	2021	2020
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 79,986	\$ 8,452
Savings and CD's	1,900,656	1,925,003
Total Current Assets	1,980,642	1,933,455
Capital Assets		
Non-depreciable		
Construction in Progress	57,876	-
Depreciable, net of accumulated depreciation		
Buildings and Improvements	5,973,905	6,145,995
Vehicles	54,818	39,901
Equipment	111,629	111,262
Total Capital Assets	6,198,228	6,297,158
Total Assets	8,178,870	8,230,613
LIABILITIES		
Current Liabilities		
Current Portion of Long-term Debt		
State School Construction Loan	117,465	116,161
Total Current Liabilities	117,465	116,161
Due After One Year		
General Obligation Bonds Payable	915,000	965,000
State School Construction Loan	2,316,212	2,433,677
Total Long-term Liabilities	3,231,212	3,398,677
Total Liabilities	3,348,677	3,514,838
NET POSITION		
Net Investment in Capital Assets	2,849,551	2,782,320
Restricted	908,005	895,235
Unrestricted	1,072,637	1,038,220
Total Net Position	\$ 4,830,193	\$ 4,715,775

See Notes to Financial Statements

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Regular Instruction	\$ 1,797,327	\$ 2,817	\$ 235,271	\$ (1,559,239)
Special Instruction	205,674	63,997	-	(141,677)
Vocational Instruction	341,088	-	15,417	(325,671)
Pupil Services	159,219	-	-	(159,219)
General Administration Services	157,450	-	-	(157,450)
School Administration Services	190,136	-	-	(190,136)
Operation and Maintenance	517,136	-	-	(517,136)
Pupil Transportation	276,741	-	99,238	(177,503)
Student Activities	235,181	45,159	100,561	(89,461)
School Food Services	228,370	26,062	243,254	40,946
Community Services	1,711	-	-	(1,711)
Interest and Other Charges	73,729	-	-	(73,729)
	<u>\$ 4,183,762</u>	<u>\$ 138,035</u>	<u>\$ 693,741</u>	<u>(3,351,986)</u>
General Revenues				
Taxes				
Taxes Levied for General Purposes				1,022,876
Taxes Levied for Debt Purposes				250,383
Taxes Levied for Building Purposes				44,062
State Aid, not restricted for specific purpose				2,115,063
Interest and Investment Earnings				12,576
Gain on Sale of Assets				12,457
Miscellaneous				8,987
Total General Revenues				<u>3,466,404</u>
Change in Net Position				114,418
Net Position, Beginning of Year				<u>4,715,775</u>
Net Position, End of Year				<u>\$ 4,830,193</u>

See Notes to Financial Statements

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, 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	\$ 1,814,266	\$ 1,258	\$ 210,674	\$ (1,602,334)
Special Instruction	225,799	66,743	-	(159,056)
Vocational Instruction	263,807	-	23,322	(240,485)
Pupil Services	139,126	-	-	(139,126)
General Administration Services	159,358	-	-	(159,358)
School Administration Services	182,630	-	-	(182,630)
Operation and Maintenance	687,353	-	14,150	(673,203)
Pupil Transportation	281,715	-	130,738	(150,977)
Student Activities	259,800	69,687	263,854	73,741
School Food Services	196,005	69,260	131,128	4,383
Community Services	22,331	-	-	(22,331)
Interest and Other Charges	91,013	-	-	(91,013)
	<u>\$ 4,323,203</u>	<u>\$ 206,948</u>	<u>\$ 773,866</u>	(3,342,389)
General Revenues				
Taxes				
Taxes Levied for General Purposes				1,004,265
Taxes Levied for Debt Purposes				243,328
Taxes Levied for Building Purposes				42,745
State Aid, not restricted for specific purpose				2,165,478
Interest and Investment Earnings				30,256
Gain on Sale of Assets				22,580
Miscellaneous				<u>3,821</u>
Total General Revenues				<u>3,512,473</u>
Change in Net Position				170,084
Net Position, Beginning of Year				<u>4,545,691</u>
Net Position, End of Year				<u>\$ 4,715,775</u>

See Notes to Financial Statements

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
June 30, 2021

	Major Funds		Other	Total
	General Fund	Debt Service	Governmental Funds	Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 65,899	\$ -	\$ 14,087	\$ 79,986
Savings and CD's	1,222,409	433,397	244,850	1,900,656
Total Assets	1,288,308	433,397	258,937	1,980,642
FUND BALANCE				
Restricted	266,760	433,397	207,848	908,005
Assigned	-	-	51,089	51,089
Unassigned	1,021,548	-	-	1,021,548
Fund Balance	\$ 1,288,308	\$ 433,397	\$ 258,937	\$ 1,980,642

See Notes to Financial Statements

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

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

	Major Funds		Other	Total
	General Fund	Debt Service	Governmental Funds	Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 3,696	\$ -	\$ 4,756	\$ 8,452
Savings and CD's	1,270,547	422,121	232,335	1,925,003
Total Assets	1,274,243	422,121	237,091	1,933,455
FUND BALANCE				
Restricted	244,833	422,121	228,281	895,235
Assigned	-	-	8,810	8,810
Unassigned	1,029,410	-	-	1,029,410
Fund Balance	\$ 1,274,243	\$ 422,121	\$ 237,091	\$ 1,933,455

See Notes to Financial Statements

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS
TO THE STATEMENTS OF NET POSITION – MODIFIED CASH BASIS
June 30, 2021 and 2020

Total Fund Balance - Governmental Funds June 30, 2021		\$	1,980,642
Total net position reported for government activities in the statement of net position is different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.			
Cost of Capital Assets	13,869,347		
Less Accumulated Depreciation	(7,671,119)		
Net Capital Assets			6,198,228
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	(915,000)		
State School Construction Loan	(2,433,677)		
Total Long-term Liabilities			(3,348,677)
Total Net Position of Governmental Activities June 30, 2021		\$	4,830,193
			-
Total Fund Balance - Governmental Funds June 30, 2020		\$	1,933,455
Total net position reported for government activities in the statement of net position is different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.			
Cost of Capital Assets	13,775,655		
Less Accumulated Depreciation	(7,478,497)		
Net Capital Assets			6,297,158
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	(965,000)		
State School Construction Loan	(2,549,838)		
Total Long-term Liabilities			(3,514,838)
Total Net Position of Governmental Activities June 30, 2020		\$	4,715,775

See Notes to Financial Statements

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**
Year Ended June 30, 2021

	Major Funds		Other	Total
	General Fund	Debt Service	Governmental Funds	Governmental Funds
REVENUES				
Local Sources	\$ 1,196,035	\$ 250,383	\$ 109,499	\$ 1,555,917
State Sources	2,239,410	-	728	2,240,138
Federal Sources	225,579	-	242,526	468,105
Interest Income	11,572	783	221	12,576
Miscellaneous Income	56,410	-	-	56,410
Total Revenues	3,729,006	251,166	352,974	4,333,146
EXPENDITURES				
Current				
Regular Instruction	1,705,704	-	-	1,705,704
Special Instruction	205,674	-	-	205,674
Vocational Instruction	326,416	-	-	326,416
Pupil Services	159,219	-	-	159,219
General Administration Services	157,450	-	-	157,450
School Administration Services	190,136	-	-	190,136
Operation and Maintenance	479,063	-	33,936	512,999
Pupil Transportation	270,158	-	-	270,158
Student Activities	231,603	-	-	231,603
School Food Services	-	-	227,123	227,123
Community Services	1,711	-	-	1,711
Debt Service				
Principal	-	166,161	-	166,161
Interest and Other Charges	-	73,729	-	73,729
Facilities Acquisition and Construction	-	-	57,876	57,876
Total Expenditures	3,727,134	239,890	318,935	4,285,959
Excess of Revenues over Expenditures	1,872	11,276	34,039	47,187
OTHER FINANCING SOURCES (USES)				
Operating Transfer In	12,193	-	-	12,193
Operating Transfer Out	-	-	(12,193)	(12,193)
Total Other Financing Sources (Uses)	12,193	-	(12,193)	-
NET CHANGE IN FUND BALANCE	14,065	11,276	21,846	47,187
FUND BALANCE, BEGINNING OF YEAR	1,274,243	422,121	237,091	1,933,455
FUND BALANCE, END OF YEAR	\$ 1,288,308	\$ 433,397	\$ 258,937	\$ 1,980,642

See Notes to Financial Statements

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

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

	Major Funds		Other	Total
	General Fund	Debt Service	Governmental Funds	Governmental Funds
REVENUES				
Local Sources	\$ 1,366,882	\$ 243,328	\$ 165,080	\$ 1,775,290
State Sources	2,321,071	-	817	2,321,888
Federal Sources	209,141	-	130,311	339,452
Interest Income	23,878	4,018	2,360	30,256
Miscellaneous Income	81,971	-	-	81,971
Total Revenues	4,002,943	247,346	298,568	4,548,857
EXPENDITURES				
Current				
Regular Instruction	1,722,643	-	-	1,722,643
Special Instruction	225,799	-	-	225,799
Vocational Instruction	249,135	-	-	249,135
Pupil Services	139,126	-	-	139,126
General Administration Services	159,358	-	-	159,358
School Administration Services	182,630	-	-	182,630
Operation and Maintenance	498,883	-	204,323	703,206
Pupil Transportation	272,867	-	-	272,867
Student Activities	256,222	-	-	256,222
School Food Services	-	-	194,758	194,758
Community Services	22,331	-	-	22,331
Debt Service				
Principal	-	218,736	-	218,736
Interest and Other Charges	-	91,013	-	91,013
Facilities Acquisition and Construction	-	-	66,320	66,320
Total Expenditures	3,728,994	309,749	465,401	4,504,144
Excess (Deficiency) of Revenues over Expenditures	273,949	(62,403)	(166,833)	44,713
FUND BALANCE, BEGINNING OF YEAR	1,000,294	484,524	403,924	1,888,742
FUND BALANCE, END OF YEAR	\$ 1,274,243	\$ 422,121	\$ 237,091	\$ 1,933,455

See Notes to Financial Statements

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENTS OF ACTIVITIES – MODIFIED CASH BASIS**
Years Ended June 30, 2021 and 2020

Net Change in Fund Balances - Total Governmental Funds June 30, 2021	\$	47,187
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.		
		(63,964)
Repayment of debt principal and other long-term liabilities is an expenditure in the governmental fund financial statements, but repayment reduces long-term liabilities in the statement of net position.		
		166,161
Governmental funds report the entire sales proceeds from the sale of assets as revenues because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of assets. Thus, the change in net position differs from the change in fund balance.		
		(34,966)
Change in Net Position of Governmental Activities June 30, 2021	\$	<u>114,418</u>
		-
Net Change in Fund Balances - Total Governmental Funds June 30, 2020	\$	44,713
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.		
		(37,795)
Repayment of debt principal and other long-term liabilities is an expenditure in the governmental fund financial statements, but repayment reduces long-term liabilities in the statement of net position.		
		218,736
Governmental funds report the entire sales proceeds from the sale of assets as revenues because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of assets. Thus, the change in net position differs from the change in fund balance.		
		(55,570)
Change in Net Position of Governmental Activities June 30, 2020	\$	<u>170,084</u>

See Notes to Financial Statements

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Edgeley Public School District, Edgeley, North Dakota (the District) are presented on a modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

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

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

B. Basis of Presentation, Basis of Accounting

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

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

The District reports the following major governmental funds:

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

EDGELEY PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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

1. Governmental Funds
 - a. Special Reserve Fund – Used to account for resources restricted to, or designated for, specific purposes by the District.
 - b. Capital Projects Fund – Used to account for financial resources related to capital outlays made by the District.
 - c. Food Service Fund – Used to account for food service revenues and expenditures.

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

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

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

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

D. Cash and Investments

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

E. Capital Assets

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

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

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

F. Vacation Pay and Sick Pay

Each teacher shall be allowed 3 days personal leave per year. At the end of the school year, any teacher who has accumulated 4 or more days of personal leave shall be paid at the current substitute per day pay scale to reduce the number of days to 2. Pay for this will be included in the last monthly check of the current contract year.

Teachers received 10 days sick leave each year, cumulative to 65 days. Teachers who leave the school system after a minimum of 14 years' service to the District shall receive \$20 per unused sick day of not non-renewed for performance or discharged for cause.

Support staff receive 10 days sick leave, cumulative to 50 days and 12 days vacation, cumulative to 20 days, plus 1 vacation day for every 5 years of employment.

G. Long-term Obligations

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

H. Fund Balance and Net Position

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

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

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

I. Net Position

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

J. Interfund Transactions

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

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

NOTE 2 – LEGAL COMPLIANCE – BUDGETS

Expenditures over Appropriations – General fund expenditures did not exceed budgeted amounts for the years ended June 30, 2021 and 2020.

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, 2021 and 2020, the District's carrying amounts of deposits were \$1,980,642 and \$1,933,455. The bank balances were \$2,109,054 and \$2,111,703. Of the bank balances, \$500,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the District's name.

Credit Risk:

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

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

At June 30, 2020, the District held \$500,000 in certificates of deposit.

Interest Rate Risk:

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

Concentration of Credit Risk:

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

NOTE 4 – CAPITAL ASSETS

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021
Governmental Activities				
Capital Assets, not being depreciated				
Construction in Progress	\$ -	\$ 57,876	\$ -	\$ 57,876
Total Capital Assets, not being depreciated	-	57,876	-	57,876
Capital Assets, being depreciated				
Buildings and Improvements	13,540,587	-	-	13,540,587
Vehicles	44,334	21,500	-	65,834
Equipment	190,734	58,023	(43,707)	205,050
Total Capital Assets, being depreciated	13,775,655	79,523	(43,707)	13,811,471
Less Accumulated Depreciation for				
Buildings and Improvements	7,394,592	172,090	-	7,566,682
Vehicles	4,433	6,583	-	11,016
Equipment	79,472	22,690	(8,741)	93,421
Total Accumulated Depreciation	7,478,497	201,363	(8,741)	7,671,119
Total Capital Assets Being Depreciated, net	6,297,158	(121,840)	(34,966)	6,140,352
Governmental Activities Capital Assets, net	\$ 6,297,158	\$ (63,964)	\$ (34,966)	\$ 6,198,228

	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020
Governmental Activities				
Capital Assets, not being depreciated				
Construction in Progress	\$ 18,215	\$ -	\$ (18,215)	\$ -
Total Capital Assets, not being depreciated	18,215	-	(18,215)	-
Capital Assets, being depreciated				
Buildings and Improvements	13,468,520	72,067	-	13,540,587
Vehicles	44,150	44,334	(44,150)	44,334
Equipment	165,340	65,894	(40,500)	190,734
Total Capital Assets, being depreciated	13,678,010	182,295	(84,650)	13,775,655
Less Accumulated Depreciation for				
Buildings and Improvements	7,222,502	172,090	-	7,394,592
Vehicles	4,415	8,848	(8,830)	4,433
Equipment	78,785	20,937	(20,250)	79,472
Total Accumulated Depreciation	7,305,702	201,875	(29,080)	7,478,497
Total Capital Assets Being Depreciated, net	6,372,308	(19,580)	(55,570)	6,297,158
Governmental Activities Capital Assets, net	\$ 6,390,523	\$ (19,580)	\$ (73,785)	\$ 6,297,158

EDGELEY PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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

	2021	2020
Governmental Activities		
Regular Instruction	\$ 91,623	\$ 91,623
Vocational Instruction	14,672	14,672
Operation and Maintenance	83,660	81,907
Pupil Transportation	6,583	8,848
Student Activities	3,578	3,578
School Food Services	1,247	1,247
Total Depreciation Expense - Governmental Activities	<u>\$ 201,363</u>	<u>\$ 201,875</u>

NOTE 5 – LONG-TERM LIABILITIES

During the years ended June 30, 2021 and 2020, the following changes occurred in long-term liabilities:

	Long-term Liabilities at July 1, 2020	Increases	Decreases	Long-term Liabilities at June 30, 2021	Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	\$ 965,000	\$ -	\$ (50,000)	\$ 915,000	\$ -
State School Construction Loan	2,549,838	-	(116,161)	2,433,677	117,465
Total - Governmental Activities	<u>\$ 3,514,838</u>	<u>\$ -</u>	<u>\$ (166,161)</u>	<u>\$ 3,348,677</u>	<u>\$ 117,465</u>

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	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	\$ 1,065,000	\$ -	\$ (100,000)	\$ 965,000	\$ -
State School Construction Loan	2,668,574	-	(118,736)	2,549,838	116,161
Total - Governmental Activities	<u>\$ 3,733,574</u>	<u>\$ -</u>	<u>\$ (218,736)</u>	<u>\$ 3,514,838</u>	<u>\$ 116,161</u>

EDGELEY PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

Outstanding debt at June 30, 2021 and 2020, are comprised of the following individual issuances:

1. General Obligation School Building Bonds, Series 2016
 - a. From an original issuance of \$1,170,000 at interest rates of 1.00%-3.00%. At June 30, 2021 and 2020, \$915,000 and \$965,000 remained outstanding. The principal and interest are payable through August 1, 2036.
2. State School Construction Loan
 - a. From an original issuance of \$2,730,000 at an interest rate of 5.00% with state buydown funds that reduce the yield to 2.00%. At June 30, 2021 and 2020, \$2,433,677 and \$2,549,838 remained outstanding. The principal and interest are payable through August 1, 2037.

The debt service requirement are as follows:

General Obligation Bonds Payable, Series 2016				
(Dated November 3, 2016, Due annually to August 1, 2036)				
(Interest paid semiannually on August and February 1)				
Year Ending June 30,	Rate	Principal	Interest	Payment
2022	1.50%	\$ -	\$ 23,513	\$ 23,513
2023	1.50%	50,000	22,763	72,763
2024	2.15%	55,000	21,975	76,975
2025	2.15%	55,000	21,150	76,150
2026	2.15%	55,000	20,147	75,147
2027 - 2031	2.15% - 3.00%	290,000	81,490	371,490
2032 - 2036	3.00%	335,000	36,825	371,825
2037	3.00%	75,000	1,125	76,125
Totals		<u>\$ 915,000</u>	<u>\$ 228,988</u>	<u>\$ 1,143,988</u>

State School Construction Loan				
(Dated March 3, 2017, Due annually to August 1, 2037)				
(Interest paid semiannually on August and February 1)				
Year Ending June 30,	Rate	Principal	Interest	Payment
2022	2.00%	\$ 117,465	\$ 48,746	\$ 166,211
2023	2.00%	134,212	44,982	179,194
2024	2.00%	135,554	42,284	177,838
2025	2.00%	136,909	39,559	176,468
2026	2.00%	138,278	36,808	175,086
2027 - 2031	2.00%	712,412	141,783	854,195
2032 - 2036	2.00%	748,753	68,740	817,493
2037 - 2038	2.00%	310,094	6,227	316,321
Totals		<u>\$ 2,433,677</u>	<u>\$ 429,129</u>	<u>\$ 2,862,806</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 (NDRF), 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 NDRF for its general liability, auto and public assets insurance coverage. The coverage by NDRF is limited to losses of \$2,000,000 per occurrence for general liability and auto coverage.

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of \$2,000,000 per occurrence during a twelve-month period. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$1,191,882 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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, 2021 and 2020, if the District were to report on the full accrual basis, a liability of \$2,814,303 and \$2,700,474 for its proportionate share of the net pension liability would have been reported. The net pension liability was measured as of June 30, 2020 and 2019 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, 2021 and 2020 the District's proportion was .183881% and .196077%. The District's pension contributions for the years ended June 30, 2021 and 2020 was \$176,458 and \$171,068.

EDGELEY PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

Actuarial Assumptions

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in measurement:

Inflation	2.30%
Salary increases	3.80% to 14.80%, varying by service, including inflation and productivity
Investment rate of return	7.25%, net of investment expenses
Cost-of-living-adjustments	None

For active and inactive members, mortality rates were based on the PubT-2010 Employee table, projected with generational improvement using Scale MP-2019. For healthy retirees, mortality rates were based on 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019. For disability retirees, mortality rates were based on the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019.

The actuarial assumptions used were based on the results of an actuarial experience study dated March 19, 2020. They are the same as the assumptions used in the July 1, 2020, funding actuarial valuation for TFFR.

As a result of the March 19, 2020 actuarial experience study, the TFFR Board adopted several assumption changes, including the following:

- Investment return assumption lowered from 7.75% to 7.72%.
- Inflation assumption lowered from 2.75% to 2.30%.
- Individual salary increases were lowered.
- Rates of turnover, retirement and disability were changed to better reflect anticipated future experience.
- The post-retirement healthy mortality table was updated to 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019.
- The disabled mortality was updated to the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019.
- The pre-retirement mortality table was updated to the PubT-2010 Employee table projected with generational improvement using Scale MP-2019.

The TFFR Board is responsible for establishing investment policy for the fund assets under NDCC 15-39.1-05.2. Benefit payments are projected to occur over a long period of time. This allows TFFR to adopt a long-term investment horizon and asset allocation policy for the management of fund assets. Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the Board in determining an acceptable volatility target for the fund and an optimal asset allocation policy mix. This asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk, including the resulting estimated impact of funded status and contribution rates.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2020 are summarized in the following table:

EDGELEY PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equities	58%	6.90%
Global Fixed Income	23%	1.30%
Global Real Assets	18%	5.00%
Cash Equivalents	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2020. 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, 2020, 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, 2020. 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, 2020.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report.

NOTE 8 – RETIREMENT PLAN

The District established a 403(b) retirement plan where the District will contribute up to \$9,000 in 403(b) contributions and other cafeteria benefits. For the years ended June 30, 2021 and 2020 the amounts the District contributed was \$68,031 and \$65,763.

NOTE 9 – JOINT VENTURE

The District participates in the following joint ventures:

A. James River Special Education Unit

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

B. Southeast Region Career and Technology Center

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

NOTE 10 – NONMONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its food service program. The market value of commodities received for the years ended June 30, 2021 and 2020 was \$14,174 and \$13,731.

EDGELEY PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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.

NOTE 12 – ADOPTION OF NEW STANDARD

The District implemented GASB Statement No. 84, *Fiduciary Activities*. As a result, beginning net position has been restated to reflect the related fund balance of resources as of July 1, 2019 and general fund balance have been restated as follows:

Net Position July 1, 2019 as previously reported	\$ 4,485,398
Restatement for fiduciary accounting	
Agency Funds	<u>60,293</u>
Net position July 1, 2019 as restated	<u><u>\$ 4,545,691</u></u>
General Fund Balance July 1, 2019 as previously reported	\$ 940,001
Restatement for fiduciary accounting	
Agency Funds	<u>60,293</u>
General Fund Balance July 1, 2019 as restated	<u><u>\$ 1,000,294</u></u>

NOTE 13 – TRANSFERS

Transfers from the Special Reserve to the General Fund to reimburse expenditures made in the General Fund.

NOTE 14 – FUND BALANCE

The following is a summary of fund balances as of June 30, 2021 and 2020:

Restricted		
Special Reserve	\$ 155,235	\$ 132,996
Capital Projects	52,613	95,285
Debt Service	433,397	422,121
Student Activities	<u>266,760</u>	<u>244,833</u>
Total Restricted	<u>908,005</u>	<u>895,235</u>
Assigned		
Food Service	<u>51,089</u>	<u>8,810</u>
Total Assigned	<u>51,089</u>	<u>8,810</u>
Unassigned	<u>1,021,548</u>	<u>1,029,410</u>
Total Fund Balance	<u><u>\$ 1,980,642</u></u>	<u><u>\$ 1,933,455</u></u>

NOTE 15 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 24, 2023, the date on which the financial statements were available to be issued.

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – MODIFIED CASH BASIS
Year Ended June 30, 2021

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Local Sources	\$ 1,151,834	\$ 1,196,035	\$ 44,201
State Sources	2,202,166	2,239,410	37,244
Federal Sources	295,789	225,579	(70,210)
Interest Income	11,750	11,572	(178)
Miscellaneous Income	47,923	56,410	8,487
Total Revenues	3,709,462	3,729,006	19,544
EXPENDITURES			
Current			
Regular Instruction	1,732,148	1,705,704	26,444
Special Instruction	205,652	205,674	(22)
Vocational Instruction	325,324	326,416	(1,092)
Pupil Services	161,506	159,219	2,287
General Administration Services	158,109	157,450	659
School Administration Services	194,153	190,136	4,017
Operation and Maintenance	460,880	479,063	(18,183)
Pupil Transportation	268,054	270,158	(2,104)
Student Activities	264,304	231,603	32,701
Community Services	12,942	1,711	11,231
Total Expenditures	3,783,072	3,727,134	55,938
Excess (Deficiency) of Revenues over Expenditures	(73,610)	1,872	75,482
OTHER FINANCING SOURCES			
Operating Transfer In	12,193	12,193	-
Total Other Financing Sources	12,193	12,193	-
NET CHANGE IN FUND BALANCE	(61,417)	14,065	75,482
FUND BALANCE, BEGINNING OF YEAR		1,274,243	
FUND BALANCE, END OF YEAR		\$ 1,288,308	

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

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

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Local Sources	\$ 1,173,961	\$ 1,366,882	\$ 192,921
State Sources	2,396,045	2,321,071	(74,974)
Federal Sources	161,916	209,141	47,225
Interest Income	23,040	23,878	838
Miscellaneous Income	97,868	81,971	(15,897)
Total Revenues	3,852,830	4,002,943	150,113
EXPENDITURES			
Current			
Regular Instruction	1,740,507	1,722,643	17,864
Special Instruction	212,568	225,799	(13,231)
Vocational Instruction	303,867	249,135	54,732
Pupil Services	141,379	139,126	2,253
General Administration Services	152,795	159,358	(6,563)
School Administration Services	205,285	182,630	22,655
Other Support Services	-	-	-
Operation and Maintenance	420,910	498,883	(77,973)
Pupil Transportation	331,200	272,867	58,333
Student Activities	265,177	256,222	8,955
School Food Services	-	-	-
Community Services	15,877	22,331	(6,454)
Debt Service			
Principal	-	-	-
Interest and Other Charges	-	-	-
Special Assessments	-	-	-
Facilities Acquisition and Construction	-	-	-
Total Expenditures	3,789,565	3,728,994	60,571
Excess (Deficiency) of Revenues over Expenditures	63,265	273,949	210,684
OTHER FINANCING SOURCES			
Proceeds from Sale of Capital Asset	-	-	-
Proceeds from Long-term Debt	-	-	-
Proceeds from Capital Leases	-	-	-
Operating Transfer In	-	-	-
Operating Transfer Out	-	-	-
Total Other Financing Sources	-	-	-
NET CHANGE IN FUND BALANCE	63,265	273,949	210,684
FUND BALANCE, BEGINNING OF YEAR		1,000,294	
FUND BALANCE, END OF YEAR		\$ 1,274,243	

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEET – MODIFIED CASH BASIS
June 30, 2021

	<u>Special Reserve</u>	<u>Food Service</u>	<u>Capital Projects</u>	<u>Total Other Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 12,545	\$ 1,542	\$ 14,087
Savings and CD's	155,235	38,544	51,071	244,850
Total Assets	155,235	51,089	52,613	258,937
FUND BALANCE				
Restricted	155,235	-	52,613	207,848
Assigned	-	51,089	-	51,089
Fund Balance	<u>\$ 155,235</u>	<u>\$ 51,089</u>	<u>\$ 52,613</u>	<u>\$ 258,937</u>

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

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

	<u>Special Reserve</u>	<u>Food Service</u>	<u>Capital Projects</u>	<u>Total Other Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 874	\$ 3,882	\$ 4,756
Savings and CD's	132,996	7,936	91,403	232,335
Total Assets	132,996	8,810	95,285	237,091
FUND BALANCE				
Restricted	132,996	-	95,285	228,281
Assigned	-	8,810	-	8,810
Fund Balance	<u>\$ 132,996</u>	<u>\$ 8,810</u>	<u>\$ 95,285</u>	<u>\$ 237,091</u>

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – MODIFIED CASH BASIS**
Year Ended June 30, 2021

	<u>Special Reserve</u>	<u>Food Service</u>	<u>Capital Projects</u>	<u>Total Other Governmental Funds</u>
REVENUES				
Local Sources	\$ 39,375	\$ 26,062	\$ 44,062	\$ 109,499
State Sources	-	728	-	728
Federal Sources	-	242,526	-	242,526
Interest Income	30	86	105	221
Total Revenues	39,405	269,402	44,167	352,974
EXPENDITURES				
Current				
Operation and Maintenance	4,973	-	28,963	33,936
School Food Services	-	227,123	-	227,123
Facilities Acquisition and Construction	-	-	57,876	57,876
Total Expenditures	4,973	227,123	86,839	318,935
Excess (Deficiency) of Revenues over Expenditures	34,432	42,279	(42,672)	34,039
OTHER FINANCING SOURCES (USES)				
Operating Transfer Out	(12,193)	-	-	(12,193)
Total Other Financing Sources (Uses)	(12,193)	-	-	(12,193)
NET CHANGE IN FUND BALANCE	22,239	42,279	(42,672)	21,846
FUND BALANCE, BEGINNING OF YEAR	132,996	8,810	95,285	237,091
FUND BALANCE, END OF YEAR	<u>\$ 155,235</u>	<u>\$ 51,089</u>	<u>\$ 52,613</u>	<u>\$ 258,937</u>

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

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

	Special Reserve	Food Service	Capital Projects	Total Other Governmental Funds
REVENUES				
Local Sources	\$ 38,925	\$ 69,260	\$ 56,895	\$ 165,080
State Sources	-	817	-	817
Federal Sources	-	130,311	-	130,311
Interest Income	838	292	1,230	2,360
Total Revenues	39,763	200,680	58,125	298,568
EXPENDITURES				
Current				
Operation and Maintenance	26,641	-	177,682	204,323
School Food Services	-	194,758	-	194,758
Facilities Acquisition and Construction	-	-	66,320	66,320
Total Expenditures	26,641	194,758	244,002	465,401
Excess (Deficiency) of Revenues over Expenditures	13,122	5,922	(185,877)	(166,833)
FUND BALANCE, BEGINNING OF YEAR	119,874	2,888	281,162	403,924
FUND BALANCE, END OF YEAR	\$ 132,996	\$ 8,810	\$ 95,285	\$ 237,091



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

School Board
Edgeley Public School District
Edgeley, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Edgeley Public School District, as of and for the years ended June 30, 2021 and 2020, and the related notes to financial statements, which collectively comprise the Edgeley Public School District's basic financial statements, and have issued our report thereon dated October 24, 2023.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of current year findings that we consider to be material weaknesses (2021-001 and 2021-002).

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Edgeley Public School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of current year findings. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
October 24, 2023

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

SCHEDULE OF CURRENT YEAR FINDINGS
Years ended June 30, 2021 and 2020

2021-001 INADEQUATE SEGREGATION OF DUTIES

Criteria

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

Condition

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

Effect or Potential Effect

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

Recommendation

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

Views of Responsible Officials

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

EDGELEY PUBLIC SCHOOL DISTRICT
Schedule of Current Year Findings – Continued

2021-002 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.

EDGELEY PUBLIC SCHOOL DISTRICT
Edgeley, North Dakota

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Years ended June 30, 2021 and 2020

Prior Financial Statement Findings

2019-001

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 2021-001.

2019-002

A material weakness was reported for financial statement preparation.

Corrective Action Plan

The accounting functions should be reviewed to determine if it is feasible for the Center to prepare its own financial statements. This material weakness continues to exist under the current audit finding 2021-002.

2019-003

The District did not maintain an adequate pledge of securities in accordance with North Dakota Century Code 21-04-09.

Corrective Action Plan

The pledge of securities will be reviewed with each monthly bank reconciliation.