

ASHLEY PUBLIC SCHOOL DISTRICT
Ashley, North Dakota

AUDITED FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

ASHLEY PUBLIC SCHOOL DISTRICT
Ashley, North Dakota

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June 30, 2022 and 2021

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ASHLEY PUBLIC SCHOOL DISTRICT
Ashley, North Dakota

OFFICIAL DIRECTORY
June 30, 2022

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



INDEPENDENT AUDITOR'S REPORT

School Board
Ashley Public School District
Ashley, North Dakota

Report on the Audit of Financial Statements

Opinions

We have audited the modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ashley Public School District, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Ashley Public School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ashley Public School District as of June 30, 2022 and 2021, and the respective changes in financial position-modified cash basis and, where applicable, cash flows, thereof for the years then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Ashley Public School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter — Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the 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 Matter — Implementation of GASB Statement No. 84

As discussed in Note 1 and 12 to the financial statements, the District has adopted the provision of GASB 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, 2020. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Supplementary Information

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

The budgetary comparison schedule, nonmajor governmental funds – combining balance sheet, and nonmajor governmental funds – schedule of revenues, expenditures, and changes in fund balance is the responsibility of management and was derived from and relates 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2022 on our consideration of Ashley Public School District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ashley Public School District’s internal control over financial reporting and compliance.



Nadine Julson, LLC
Wahpeton, North Dakota
October 24, 2022

ASHLEY PUBLIC SCHOOL DISTRICT
Ashley, North Dakota

STATEMENTS OF NET POSITION – MODIFIED CASH BASIS
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 1,480,251	\$ 1,311,255
Savings and CD's	<u>411,971</u>	<u>411,166</u>
Total Current Assets	1,892,222	1,722,421
Capital Assets		
Depreciable, net of accumulated depreciation		
Buildings and Improvements	456,320	563,660
Vehicles	178,575	217,646
Equipment	<u>38,090</u>	<u>37,021</u>
Total Capital Assets	<u>672,985</u>	<u>818,327</u>
Total Assets	2,565,207	2,540,748
LIABILITIES		
Current Liabilities		
Payroll Liabilities	<u>48,441</u>	<u>49,077</u>
Total Current Liabilities	48,441	49,077
Due After One Year		
General Obligation Bonds Payable	<u>200,000</u>	<u>200,000</u>
Total Long-term Liabilities	<u>200,000</u>	<u>200,000</u>
Total Liabilities	248,441	249,077
NET POSITION		
Net Investment in Capital Assets	472,985	618,327
Restricted	561,879	553,021
Unrestricted	<u>1,281,902</u>	<u>1,120,323</u>
Total Net Position	<u>\$ 2,316,766</u>	<u>\$ 2,291,671</u>

See Notes to Financial Statements

ASHLEY PUBLIC SCHOOL DISTRICT
Ashley, North Dakota

STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Regular Instruction	\$ 1,302,185	\$ -	\$ 291,742	\$ (1,010,443)
Special Instruction	176,202	-	-	(176,202)
Vocational Instruction	113,334	-	9,197	(104,137)
Pupil Services	22,232	-	-	(22,232)
General Administration Services	156,045	-	-	(156,045)
School Administration Services	108,870	-	-	(108,870)
Operation and Maintenance	486,772	-	-	(486,772)
Pupil Transportation	174,040	-	100,640	(73,400)
Student Activities	191,047	102,565	-	(88,482)
School Food Services	162,590	6,462	140,774	(15,354)
Community Services	36,233	-	-	(36,233)
	<u>\$ 2,929,550</u>	<u>\$ 109,027</u>	<u>\$ 542,353</u>	(2,278,170)
General Revenues				
Taxes				
				745,375
				16,459
				1,502,846
				5,925
				8,470
				24,190
				<u>2,303,265</u>
				25,095
				<u>2,291,671</u>
				<u>\$ 2,316,766</u>

See Notes to Financial Statements

ASHLEY PUBLIC SCHOOL DISTRICT
Ashley, North Dakota

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

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Regular Instruction	\$ 1,311,884	\$ -	\$ 319,174	\$ (992,710)
Special Instruction	168,721	-	-	(168,721)
Vocational Instruction	118,078	-	11,121	(106,957)
Pupil Services	22,342	-	-	(22,342)
General Administration Services	146,872	-	-	(146,872)
School Administration Services	89,277	-	-	(89,277)
Other Support Services	9,577	-	-	(9,577)
Operation and Maintenance	489,037	-	-	(489,037)
Pupil Transportation	153,649	-	73,819	(79,830)
Student Activities	157,255	59,971	-	(97,284)
School Food Services	160,435	6,597	114,102	(39,736)
Community Services	36,167	-	-	(36,167)
	<u>\$ 2,863,294</u>	<u>\$ 66,568</u>	<u>\$ 518,216</u>	(2,278,510)
General Revenues				
Taxes				
				637,667
				15,169
				1,460,569
				11,097
				38,861
				<u>2,163,363</u>
				(115,147)
				<u>2,406,818</u>
				<u>\$ 2,291,671</u>

See Notes to Financial Statements

ASHLEY PUBLIC SCHOOL DISTRICT
Ashley, North Dakota

BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
June 30, 2022

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Special Reserve	Capital Projects		
ASSETS					
Cash and Cash Equivalents	\$ 1,288,214	\$ -	\$ 149,908	\$ 42,129	\$ 1,480,251
Savings and CD's	-	203,294	135,931	72,746	411,971
Total Assets	1,288,214	203,294	285,839	114,875	1,892,222
LIABILITIES					
Payroll Liabilities	48,441	-	-	-	48,441
Total Liabilities	48,441	-	-	-	48,441
FUND BALANCE					
Restricted	107,680	203,294	285,839	72,746	669,559
Assigned	-	-	-	42,129	42,129
Unassigned	1,132,093	-	-	-	1,132,093
Fund Balance	1,239,773	203,294	285,839	114,875	1,843,781
Total Liabilities and Fund Balance	\$ 1,288,214	\$ 203,294	\$ 285,839	\$ 114,875	\$ 1,892,222

See Notes to Financial Statements

ASHLEY PUBLIC SCHOOL DISTRICT
Ashley, North Dakota

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

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Special Reserve	Capital Projects		
ASSETS					
Cash and Cash Equivalents	\$ 1,133,657	\$ -	\$ 141,855	\$ 35,743	\$ 1,311,255
Savings and CD's	-	216,278	121,224	73,664	411,166
Total Assets	1,133,657	216,278	263,079	109,407	1,722,421
LIABILITIES					
Payroll Liabilities	49,077	-	-	-	49,077
Total Liabilities	49,077	-	-	-	49,077
FUND BALANCE					
Restricted	101,323	216,278	263,079	73,664	654,344
Assigned	-	-	-	35,743	35,743
Unassigned	983,257	-	-	-	983,257
Fund Balance	1,084,580	216,278	263,079	109,407	1,673,344
Total Liabilities and Fund Balance	\$ 1,133,657	\$ 216,278	\$ 263,079	\$ 109,407	\$ 1,722,421

See Notes to Financial Statements

ASHLEY PUBLIC SCHOOL DISTRICT
Ashley, North Dakota

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS
TO THE STATEMENTS OF NET POSITION – MODIFIED CASH BASIS
June 30, 2022 and 2021**

Total Fund Balance - Governmental Funds June 30, 2022		\$ 1,843,781
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	8,071,860	
Less Accumulated Depreciation	<u>(7,398,875)</u>	
Net Capital Assets		672,985
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	<u>(200,000)</u>	
Total Long-term Liabilities		<u>(200,000)</u>
Total Net Position of Governmental Activities June 30, 2022		<u>\$ 2,316,766</u>
Total Fund Balance - Governmental Funds June 30, 2021		\$ 1,673,344
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	8,094,548	
Less Accumulated Depreciation	<u>(7,276,221)</u>	
Net Capital Assets		818,327
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	<u>(200,000)</u>	
Total Long-term Liabilities		<u>(200,000)</u>
Total Net Position of Governmental Activities June 30, 2021		<u>\$ 2,291,671</u>

See Notes to Financial Statements

ASHLEY PUBLIC SCHOOL DISTRICT
Ashley, North Dakota

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**
Year Ended June 30, 2022

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Special Reserve	Capital Projects		
REVENUES					
Local Sources	\$ 847,940	\$ -	\$ 16,459	\$ 6,462	\$ 870,861
State Sources	1,630,168	-	-	333	1,630,501
Federal Sources	274,257	-	-	140,441	414,698
Interest Income	2,923	1,016	847	1,139	5,925
Miscellaneous Income	32,660	-	-	-	32,660
Total Revenues	2,787,948	1,016	17,306	148,375	2,954,645
EXPENDITURES					
Current					
Regular Instruction	1,301,504	-	-	-	1,301,504
Special Instruction	176,202	-	-	-	176,202
Vocational Instruction	113,334	-	-	-	113,334
Pupil Services	22,232	-	-	-	22,232
General Administration Services	156,045	-	-	-	156,045
School Administration Services	110,620	-	-	-	110,620
Operation and Maintenance	370,886	-	8,546	-	379,432
Pupil Transportation	134,969	-	-	-	134,969
Student Activities	191,047	-	-	-	191,047
School Food Services	21,683	-	-	140,907	162,590
Community Services	34,233	-	-	2,000	36,233
Total Expenditures	2,632,755	-	8,546	142,907	2,784,208
Excess of Revenues over Expenditures	155,193	1,016	8,760	5,468	170,437
OTHER FINANCING SOURCES (USES)					
Operating Transfer In	-	-	14,000	-	14,000
Operating Transfer Out	-	(14,000)	-	-	(14,000)
Total Other Financing Sources (Uses)	-	(14,000)	14,000	-	-
NET CHANGE IN FUND BALANCE	155,193	(12,984)	22,760	5,468	170,437
FUND BALANCE, BEGINNING OF YEAR	1,084,580	216,278	263,079	109,407	1,673,344
FUND BALANCE, END OF YEAR	\$ 1,239,773	\$ 203,294	\$ 285,839	\$ 114,875	\$ 1,843,781

See Notes to Financial Statements

ASHLEY PUBLIC SCHOOL DISTRICT
Ashley, North Dakota

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

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Special Reserve	Capital Projects		
REVENUES					
Local Sources	\$ 697,638	\$ -	\$ 15,169	\$ 6,597	\$ 719,404
State Sources	1,568,366	-	-	202	1,568,568
Federal Sources	296,317	-	-	113,900	410,217
Interest Income	6,337	2,139	1,469	1,152	11,097
Miscellaneous Income	38,861	-	-	-	38,861
Total Revenues	2,607,519	2,139	16,638	121,851	2,748,147
EXPENDITURES					
Current					
Regular Instruction	1,293,928	-	-	-	1,293,928
Special Instruction	168,721	-	-	-	168,721
Vocational Instruction	118,078	-	-	-	118,078
Pupil Services	22,342	-	-	-	22,342
General Administration Services	146,872	-	-	-	146,872
School Administration Services	89,277	-	-	-	89,277
Other Support Services	9,577	-	-	-	9,577
Operation and Maintenance	308,842	-	7,459	-	316,301
Pupil Transportation	112,308	-	-	-	112,308
Student Activities	157,255	-	-	-	157,255
School Food Services	43,626	-	-	116,809	160,435
Community Services	34,667	-	-	1,500	36,167
Total Expenditures	2,505,493	-	7,459	118,309	2,631,261
Excess of Revenues over Expenditures	102,026	2,139	9,179	3,542	116,886
OTHER FINANCING SOURCES (USES)					
Operating Transfer In	-	-	14,000	-	14,000
Operating Transfer Out	-	(14,000)	-	-	(14,000)
Total Other Financing Sources (Uses)	-	(14,000)	14,000	-	-
NET CHANGE IN FUND BALANCE	102,026	(11,861)	23,179	3,542	116,886
FUND BALANCE, BEGINNING OF YEAR	982,554	228,139	239,900	105,865	1,556,458
FUND BALANCE, END OF YEAR	\$ 1,084,580	\$ 216,278	\$ 263,079	\$ 109,407	\$ 1,673,344

See Notes to Financial Statements

ASHLEY PUBLIC SCHOOL DISTRICT
Ashley, North Dakota

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENTS OF ACTIVITIES – MODIFIED CASH BASIS**
Years Ended June 30, 2022 and 2021

Net Change in Fund Balances - Total Government Funds June 30, 2022	\$ 170,437
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.	<u>(145,342)</u>
Change in Net Position of Governmental Activities June 30, 2022	<u>\$ 25,095</u>
Net Change in Fund Balances - Total Government Funds June 30, 2021	\$ 116,886
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.	<u>(232,033)</u>
Change in Net Position of Governmental Activities June 30, 2021	<u>\$ (115,147)</u>

See Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

B. Basis of Presentation, Basis of Accounting

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

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

The District reports the following major governmental funds:

1. General Fund
 - 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. Special Revenue Fund
 - a. Used to account for resources restricted to, or designated for, specific purposes by the District.
3. Capital Projects Fund
 - a. Used to account for financial resources related to capital outlays made by the District.

ASHLEY PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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

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

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

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

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

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

D. Cash and Investments

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

E. Capital Assets

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

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

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

F. Vacation Pay, Sick Pay, Personal Days

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

1. Sick Pay
 - a. Teachers/Administrators
 - i. 10 days per year accumulate to 90 days.

ASHLEY PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

- b. Cooks/Paras
 - i. 7 days per year accumulative to 27 days.
- c. Custodians/Bus Manager
 - i. 12 days per year accumulative to 30 days.
- 2. Personal Days
 - a. Teachers
 - i. 2 days per year accumulative to 6 days.
 - b. Principal
 - i. 4 days per year accumulative to 4 days.
 - c. Superintendent
 - i. 5 days per year accumulative to 5 days.
 - d. Cooks/Paras
 - i. 2 days per year accumulative to 3 days.
- 3. Vacation Days
 - a. Superintendent
 - i. 15 days per year accumulative to 30 days.
 - b. Custodians/Bus Manager
 - i. 12 days per year accumulative to 30 days.

G. Long-term Obligations

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

H. Fund Balance Classifications

In the fund financial statements, governmental funds report fund balance in the classifications that disclose constraints for which amount 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 of funds 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.

K. Implementation of GASB Statement No. 84

As of July 1, 2020, the District adopted GASB Statement No. 84, Fiduciary Activities. The objective of this statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in the student activity funds being changed from reporting as a fiduciary fund to the General Fund. The effect of the implementation of this standard on beginning net position and fund balance is disclosed in Note 12.

NOTE 2 – LEGAL COMPLIANCE – BUDGETS

Expenditures over Appropriations – General fund expenditures did not exceed budgeted amounts for the years ended June 30, 2022 and 2021.

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, 2022 and 2021, the District's carrying amounts of deposits were \$1,892,222 and \$1,722,421 and the bank balances were \$2,126,340 and \$1,993,109. Of the bank balances, \$250,000 was covered by Federal Depository Insurance and the remaining bank balances were collateralized with securities held by pledging financial institution's agents in the government's name.

Credit Risk

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

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

As of June 30, 2022 and 2021, the District held certificates of deposits totaling \$868,909 and \$864,149.

Interest Rate Risk

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

Concentration of Credit Risk

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

ASHLEY PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

NOTE 4 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended June 30, 2022 and 2021:

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022
Governmental Activities				
Capital Assets, being depreciated				
Buildings and Improvements	\$ 7,049,541	\$ 72,661	\$ -	\$ 7,122,202
Vehicles	551,222	-	(102,349)	448,873
Equipment	493,785	7,000	-	500,785
Total Capital Assets, being depreciated	8,094,548	79,661	(102,349)	8,071,860
Less Accumulated Depreciation for				
Buildings and Improvements	6,485,881	180,001	-	6,665,882
Vehicles	333,576	39,071	(102,349)	270,298
Equipment	456,764	5,931	-	462,695
Total Accumulated Depreciation	7,276,221	225,003	(102,349)	7,398,875
Total Capital Assets Being Depreciated, net	818,327	(145,342)	-	672,985
Governmental Activities Capital Assets, net	\$ 818,327	\$ (145,342)	\$ -	\$ 672,985

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021
Governmental Activities				
Capital Assets, being depreciated				
Buildings and Improvements	\$ 7,049,541	\$ -	\$ -	\$ 7,049,541
Vehicles	551,222	-	-	551,222
Equipment	501,982	-	(8,197)	493,785
Total Capital Assets, being depreciated	8,102,745	-	(8,197)	8,094,548
Less Accumulated Depreciation for				
Buildings and Improvements	6,313,145	172,736	-	6,485,881
Vehicles	292,235	41,341	-	333,576
Equipment	447,005	17,956	(8,197)	456,764
Total Accumulated Depreciation	7,052,385	232,033	(8,197)	7,276,221
Total Capital Assets Being Depreciated, net	1,050,360	(232,033)	-	818,327
Governmental Activities Capital Assets, net	\$ 1,050,360	\$ (232,033)	\$ -	\$ 818,327

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

	2022	2021
Governmental Activities		
Regular Instruction	\$ 5,931	\$ 17,956
Operation and Maintenance	180,001	172,736
Pupil Transportation	39,071	41,341
Total Depreciation Expense - Governmental Activities	\$ 225,003	\$ 232,033

ASHLEY PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

NOTE 5 – LONG-TERM LIABILITIES

During the years ended June 30, 2022 and 2021, the following changes occurred in liabilities reported in long-term liabilities:

	Long-term Liabilites at July 1, 2021	Increases	Decreases	Long-term Liabilites at June 30, 2022	Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	\$ 200,000	\$ -	\$ -	\$ 200,000	\$ -
Total - Governmental Activities	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ -</u>

	Long-term Liabilites at July 1, 2020	Increases	Decreases	Long-term Liabilites at June 30, 2021	Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	\$ 200,000	\$ -	\$ -	\$ 200,000	\$ -
Total - Governmental Activities	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ -</u>

Long-term debt of the governmental activities at June 30, 2022 and 2021 consists of the following issues:

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

The debt service requirements are as follows:

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

NOTE 6 – RISK MANAGEMENT

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

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

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 \$1,080,306 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

The District has elected to be self-insured and retain all risk for liabilities resulting from claims of unemployment benefits. During the years ended June 30, 2022 and 2021, no claims were filed for unemployment benefits.

NOTE 7 – PENSION PLANS

North Dakota Teacher's Fund for Retirement

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-Grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

ASHLEY PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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

At June 30, 2022 and 2021, if the District were to report on the full accrual basis, a liability of \$1,461,449 and \$2,067,442 for its proportionate share of the net pension liability would have been reported. The net pension liability was measured as of June 30, 2021 and 2020 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, 2022 and 2021 the District's proportion was .138703% and .135082%. The District's pension contributions for the years ended June 30, 2022 and 2021 was \$136,295 and \$125,671.

Actuarial Assumptions

The total pension liability in the July 1, 2021 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	7.72%, 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, 2021, funding actuarial valuation for TFFR.

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 TFFR investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 TFFR target asset allocation as of June 30, 2021, is summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equities	55%	6.90%
Global Fixed Income	26%	.70%
Global Real Assets	18%	4.80%
Cash Equivalents	1%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2021. 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, 2021, 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, 2021. 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, 2021.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report. TFFR's Comprehensive Annual Financial Report (CAFR) is located at: <https://www.rio.nd.gov/sites/www/files/documents/PDFs/RIO/Reports/annualreport2021.pdf>.

NOTE 8 – RETIREMENT PLAN

The District established a SIMPLE IRA for ancillary employees where the District will match salary deferrals up to 3%. For June 30, 2022 and 2021 the amounts the District matched was \$6,153 and \$6,613.

NOTE 9 – JOINT VENTURE

The District participates in the following joint ventures:

1. South Central Prairie Special Ed Unit
 - a. Formed for the purpose of providing special education services to the member school districts. The Co-op's governing board is composed of representatives from the member school districts, who are superintendents. The Board is responsible for adopting the Co-op's budget and setting service fees at a level adequate to fund the adopted budget. The District retains no equity in the net assets of the Co-op, but does have a responsibility to fund deficits of the Co-op in proportion to the relative participation described above. Separate financial statements for this joint venture are available from South Valley Multi-District Special Education Unit.
2. Southeast Region Career and Technology Center
 - a. 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, 2022 and 2021 was \$9,380 and \$7,467.

NOTE 11 – CONCENTRATIONS

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

ASHLEY PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

NOTE 12 – ADOPTION OF NEW STANDARD

As of July 1, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities*. Due to the new standard the District’s student activity accounts will now be held in and accounted for in the General Fund. Student activity accounts were previously accounted for in the agency fund. The following table describes the effects of the implementation of GASB 84 on beginning net position/fund balance.

Net Position July 1, 2020 as previously reported	\$ 2,307,149
Restatement for fiduciary accounting	
Student Activity Fund Balances	<u>99,669</u>
Net Position July 1, 2020 as restated	<u>\$ 2,406,818</u>
General Fund Balance July 1, 2020 as previously reported	\$ 882,885
Restatement for fiduciary accounting	
Student Activity Fund Balances	<u>99,669</u>
General Fund Balance July 1, 2020 as restated	<u>\$ 982,554</u>

NOTE 13 – TRANSFERS

The following is a summary of transfers for the years ended June 30, 2022 and 2021:

Fund	<u>2022</u>		<u>2021</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Special Reserve	-	14,000	-	14,000
Capital Projects	<u>14,000</u>	<u>-</u>	<u>14,000</u>	<u>-</u>
Totals	<u>\$ 14,000</u>	<u>\$ 14,000</u>	<u>\$ 14,000</u>	<u>\$ 14,000</u>

Transfers from the special reserve fund to the capital projects fund relate to the accumulation of resources for future bond payments.

NOTE 14 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 24, 2022, the date on which the financial statements were available to be issued.

The District is currently contracting with an engineer to evaluate potential construction projects ranging from \$350,000 – \$500,000 over the next two years.

ASHLEY PUBLIC SCHOOL DISTRICT
Ashley, North Dakota

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – MODIFIED CASH BASIS
Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local Sources	\$ 764,900	\$ 764,900	\$ 847,940	\$ 83,040
State Sources	1,625,281	1,625,281	1,630,168	4,887
Federal Sources	182,062	277,707	274,257	(3,450)
Interest Income	5,000	5,000	2,923	(2,077)
Miscellaneous Income	15,000	15,000	32,660	17,660
Total Revenues	2,592,243	2,687,888	2,787,948	100,060
EXPENDITURES				
Current				
Regular Instruction	1,254,906	1,277,662	1,301,504	(23,842)
Special Instruction	198,750	198,750	176,202	22,548
Vocational Instruction	113,155	113,155	113,334	(179)
Pupil Services	22,674	22,674	22,232	442
General Administration Services	154,000	154,000	156,045	(2,045)
School Administration Services	200,035	200,035	110,620	89,415
Operation and Maintenance	280,685	353,585	370,886	(17,301)
Pupil Transportation	130,685	130,685	134,969	(4,284)
Student Activities	206,410	206,410	191,047	15,363
School Food Services	46,840	46,840	21,683	25,157
Community Services	34,010	34,010	34,233	(223)
Total Expenditures	2,642,150	2,737,806	2,632,755	105,051
Excess (Deficiency) of Revenues over Expenditures	(49,907)	(49,918)	155,193	205,111
FUND BALANCE, BEGINNING OF YEAR			1,084,580	
FUND BALANCE, END OF YEAR			<u>\$ 1,239,773</u>	

ASHLEY PUBLIC SCHOOL DISTRICT
Ashley, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local Sources	\$ 670,000	\$ 670,000	\$ 697,638	\$ 27,638
State Sources	1,549,894	1,549,894	1,568,366	18,472
Federal Sources	169,368	169,368	296,317	126,949
Interest Income	11,000	11,000	6,337	(4,663)
Miscellaneous Income	16,200	16,200	38,861	22,661
Total Revenues	2,416,462	2,416,462	2,607,519	191,057
EXPENDITURES				
Current				
Regular Instruction	1,218,791	1,221,045	1,293,928	(72,883)
Special Instruction	171,721	171,721	168,721	3,000
Vocational Instruction	119,965	119,965	118,078	1,887
Pupil Services	21,740	21,740	22,342	(602)
General Administration Services	146,205	146,205	146,872	(667)
School Administration Services	191,605	191,605	89,277	102,328
Other Support Services	-	-	9,577	(9,577)
Operation and Maintenance	261,490	261,490	308,842	(47,352)
Pupil Transportation	130,980	130,980	112,308	18,672
Student Activities	163,090	163,090	157,255	5,835
School Food Services	60,720	60,720	43,626	17,094
Community Services	33,235	33,235	34,667	(1,432)
Total Expenditures	2,519,542	2,521,796	2,505,493	16,303
Excess (Deficiency) of Revenues over Expenditures	(103,080)	(105,334)	102,026	207,360
FUND BALANCE, BEGINNING OF YEAR			982,554	
FUND BALANCE, END OF YEAR			<u>\$ 1,084,580</u>	

ASHLEY PUBLIC SCHOOL DISTRICT
Ashley, North Dakota

NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEET – MODIFIED CASH BASIS
June 30, 2022

	<u>Food Service</u>	<u>Wishek Scholarship</u>	<u>Total Other Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 42,129	\$ -	\$ 42,129
Savings and CD's	-	72,746	72,746
Total Assets	<u>42,129</u>	<u>72,746</u>	<u>114,875</u>
FUND BALANCE			
Restricted	-	72,746	72,746
Assigned	42,129	-	42,129
Fund Balance	<u>42,129</u>	<u>72,746</u>	<u>114,875</u>
Total Liabilities and Fund Balance	<u>\$ 42,129</u>	<u>\$ 72,746</u>	<u>\$ 114,875</u>

ASHLEY PUBLIC SCHOOL DISTRICT
Ashley, North Dakota

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

	<u>Food Service</u>	<u>Wishek Scholarship</u>	<u>Total Other Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 35,743	\$ -	\$ 35,743
Savings and CD's	-	73,664	73,664
Total Assets	<u>35,743</u>	<u>73,664</u>	<u>109,407</u>
FUND BALANCE			
Restricted	-	73,664	73,664
Assigned	<u>35,743</u>	<u>-</u>	<u>35,743</u>
Fund Balance	<u>35,743</u>	<u>73,664</u>	<u>109,407</u>
Total Liabilities and Fund Balance	<u>\$ 35,743</u>	<u>\$ 73,664</u>	<u>\$ 109,407</u>

ASHLEY PUBLIC SCHOOL DISTRICT
Ashley, North Dakota

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – MODIFIED CASH BASIS**
Year Ended June 30, 2022

	Food Service	Wishek Scholarship	Total Other Governmental Funds
REVENUES			
Local Sources	\$ 6,462	\$ -	\$ 6,462
State Sources	333	-	333
Federal Sources	140,441	-	140,441
Interest Income	57	1,082	1,139
Total Revenues	147,293	1,082	148,375
EXPENDITURES			
Current			
School Food Services	140,907	-	140,907
Community Services	-	2,000	2,000
Total Expenditures	140,907	2,000	142,907
Excess (Deficiency) of Revenues over Expenditures	6,386	(918)	5,468
FUND BALANCE, BEGINNING OF YEAR	35,743	73,664	109,407
FUND BALANCE, END OF YEAR	\$ 42,129	\$ 72,746	\$ 114,875

ASHLEY PUBLIC SCHOOL DISTRICT
Ashley, North Dakota

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

	Food Service	Wishek Scholarship	Total Other Governmental Funds
REVENUES			
Local Sources	\$ 6,597	\$ -	\$ 6,597
State Sources	202	-	202
Federal Sources	113,900	-	113,900
Interest Income	65	1,087	1,152
Total Revenues	120,764	1,087	121,851
EXPENDITURES			
Current			
School Food Services	116,809	-	116,809
Community Services	-	1,500	1,500
Total Expenditures	116,809	1,500	118,309
Excess (Deficiency) of Revenues over Expenditures	3,955	(413)	3,542
FUND BALANCE, BEGINNING OF YEAR	31,788	74,077	105,865
FUND BALANCE, END OF YEAR	\$ 35,743	\$ 73,664	\$ 109,407



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

School Board
Ashley Public School District
Ashley, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ashley Public School District, as of and for the years ended June 30, 2022 and 2021, and the related notes to financial statements, which collectively comprise the Ashley Public School District's basic financial statements, and have issued our report thereon dated October 24, 2022.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of current year findings that we consider to be material weaknesses (2022-001 and 2022-002).

Report on Compliance and Other Matters

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

District's Response to Findings

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

Purpose of this Report

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



Nadine Julson, LLC
Wahpeton, North Dakota
October 24, 2022

ASHLEY PUBLIC SCHOOL DISTRICT
Ashley, North Dakota

SCHEDULE OF CURRENT YEAR FINDINGS
Years ended June 30, 2022 and 2021

2022-001 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.

ASHLEY PUBLIC SCHOOL DISTRICT
Schedule of Current Year Findings – Continued

2022-002 FINANCIAL STATEMENT PREPARATION

Criteria

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

Condition

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

Effect of Potential Effect

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

Recommendation

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

Views of Responsible Officials

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

ASHLEY PUBLIC SCHOOL DISTRICT
Ashley, North Dakota

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Years ended June 30, 2022 and 2021

Prior Financial Statement Findings:

2020-001

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 2022-001.

2020-002

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 District to prepare its own financial statements. This material weakness continues to exist under the current audit findings as number 2022-002.