

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

**AUDITED FINANCIAL STATEMENTS**  
**Year Ended June 30, 2023**

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

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**June 30, 2023**

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

**OFFICIAL DIRECTORY**  
**June 30, 2023**

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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 year ended June 30, 2023, 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, 2023, and the respective changes in financial position-modified cash basis and, where applicable, cash flows, thereof for the year 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 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.

## **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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the Official Directory but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2023 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 18, 2023

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

**STATEMENT OF NET POSITION – MODIFIED CASH BASIS**  
**June 30, 2023**

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ASSETS

Current Assets

Cash and Cash Equivalents	\$ 1,345,783
Savings and CD's	415,178

Total Current Assets 1,760,961

Capital Assets

Non-depreciable

Construction in Progress 67,440

Depreciable, net of accumulated depreciation

Buildings and Improvements 285,606

Vehicles 181,354

Equipment 41,969

Total Capital Assets 576,369

Total Assets 2,337,330

LIABILITIES

Current Liabilities

Payroll Liabilities 50,518

Total Current Liabilities 50,518

Due After One Year

General Obligation Bonds Payable 200,000

Total Long-term Liabilities 200,000

Total Liabilities 250,518

NET POSITION

Net Investment in Capital Assets 376,369

Restricted 677,475

Unrestricted 1,032,968

Total Net Position \$ 2,086,812

See Notes to Financial Statements

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

**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**  
**Year Ended June 30, 2023**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Regular Instruction	\$ 1,294,088	\$ -	\$ 161,118	\$ (1,132,970)
Special Instruction	187,598	-	-	(187,598)
Vocational Instruction	128,423	-	9,794	(118,629)
Pupil Services	22,442	-	-	(22,442)
General Administration Services	162,934	-	-	(162,934)
School Administration Services	118,952	-	-	(118,952)
Operation and Maintenance	522,839	-	-	(522,839)
Pupil Transportation	196,978	-	100,288	(96,690)
Student Activities	226,818	79,943	9,288	(137,587)
School Food Services	151,028	40,421	78,669	(31,938)
Community Services	36,818	-	-	(36,818)
	<u>\$ 3,048,918</u>	<u>\$ 120,364</u>	<u>\$ 359,157</u>	<u>(2,569,397)</u>
General Revenues				
Taxes				
Taxes Levied for General Purposes				778,622
Taxes Levied for Building Purposes				17,405
State Aid, not restricted for specific purpose				1,478,464
Interest and Investment Earnings				12,852
Miscellaneous				52,100
Total General Revenues				<u>2,339,443</u>
Change in Net Position				(229,954)
Net Position, Beginning of Year				<u>2,316,766</u>
Net Position, End of Year				<u>\$ 2,086,812</u>

See Notes to Financial Statements



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

**BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**June 30, 2023**

	Major Funds			Other	Total
	General Fund	Special Reserve	Capital Projects	Governmental Funds	Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 1,153,024	\$ -	\$ 158,490	\$ 34,269	\$ 1,345,783
Savings and CD's	-	191,659	151,776	71,743	415,178
Total Assets	1,153,024	191,659	310,266	106,012	1,760,961
LIABILITIES					
Payroll Liabilities	50,518	-	-	-	50,518
Total Liabilities	50,518	-	-	-	50,518
FUND BALANCE					
Restricted	103,807	191,659	310,266	71,743	677,475
Assigned	-	-	-	34,269	34,269
Unassigned	998,699	-	-	-	998,699
Fund Balance	1,102,506	191,659	310,266	106,012	1,710,443
Total Liabilities and Fund Balance	\$ 1,153,024	\$ 191,659	\$ 310,266	\$ 106,012	\$ 1,760,961

See Notes to Financial Statements

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

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION – MODIFIED CASH BASIS**  
**June 30, 2023**

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Total Fund Balance - Governmental Funds June 30, 2023		\$	1,710,443
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	8,196,700		
Less Accumulated Depreciation	<u>(7,620,331)</u>		
Net Capital Assets			576,369
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, 2023		\$	<u><u>2,086,812</u></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, 2023**

	Major Funds				
				Other Governmental Funds	Total Governmental Funds
	General Fund	Special Reserve	Capital Projects		
REVENUES					
Local Sources	\$ 867,853	\$ -	\$ 17,405	\$ 40,421	\$ 925,679
State Sources	1,605,416	-	-	782	1,606,198
Federal Sources	144,248	-	-	77,887	222,135
Interest Income	6,979	2,365	2,347	1,161	12,852
Miscellaneous Income	52,100	-	-	-	52,100
Total Revenues	2,676,596	2,365	19,752	120,251	2,818,964
EXPENDITURES					
Current					
Regular Instruction	1,288,157	-	-	-	1,288,157
Special Instruction	187,598	-	-	-	187,598
Vocational Instruction	128,423	-	-	-	128,423
Pupil Services	22,442	-	-	-	22,442
General Administration Services	162,934	-	-	-	162,934
School Administration Services	186,392	-	-	-	186,392
Operation and Maintenance	342,800	-	9,325	-	352,125
Pupil Transportation	199,757	-	-	-	199,757
Student Activities	226,818	-	-	-	226,818
School Food Services	33,729	-	-	127,109	160,838
Community Services	34,813	-	-	2,005	36,818
Total Expenditures	2,813,863	-	9,325	129,114	2,952,302
Excess (Deficiency) of over Expenditures	(137,267)	2,365	10,427	(8,863)	(133,338)
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	(137,267)	(11,635)	24,427	(8,863)	(133,338)
FUND BALANCE, BEGINNING OF YEAR	1,239,773	203,294	285,839	114,875	1,843,781
FUND BALANCE, END OF YEAR	\$ 1,102,506	\$ 191,659	\$ 310,266	\$ 106,012	\$ 1,710,443

See Notes to Financial Statements

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

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**  
**Year Ended June 30, 2023**

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Net Change in Fund Balances - Total Governmental Funds June 30, 2023	\$ (133,338)
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.	
	(96,616)
Change in Net Position of Governmental Activities June 30, 2023	<u>\$ (229,954)</u>

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

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**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 District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the District.

Based on these criteria, there are no component units to be included within the 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**

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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:

Assets	Years
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, accumulative to 90 days.

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

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- 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.

#### **NOTE 2 – LEGAL COMPLIANCE – BUDGETS**

Expenditures over Appropriations – General fund expenditures did not exceed budgeted amounts for the year ended June 30, 2023.

#### **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 year ended June 30, 2023, the District's carrying amounts of deposits was \$1,760,961 and the bank balance was \$1,970,520. Of the bank balance, \$250,000 was covered by Federal Depository Insurance and the remaining bank balance was collateralized with securities held by pledging financial institution's agents in the government's name.



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

*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, 2023, the District held certificates of deposits totaling \$877,140.

*Interest Rate Risk*

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

*Concentration of Credit Risk*

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

**NOTE 4 – CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended June 30, 2023:

	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023
Governmental Activities				
Capital Assets, not being depreciated				
Construction in Progress	\$ -	\$ 67,440	\$ -	\$ 67,440
Total Capital Assets, not being depreciated	-	67,440	-	67,440
Capital Assets, being depreciated				
Buildings and Improvements	7,122,202	-	-	7,122,202
Vehicles	448,873	46,500	-	495,373
Equipment	500,785	10,900	-	511,685
Total Capital Assets, being depreciated	8,071,860	57,400	-	8,129,260
Less Accumulated Depreciation for				
Buildings and Improvements	6,665,882	170,714	-	6,836,596
Vehicles	270,298	43,721	-	314,019
Equipment	462,695	7,021	-	469,716
Total Accumulated Depreciation	7,398,875	221,456	-	7,620,331
Total Capital Assets Being Depreciated, net	672,985	(164,056)	-	508,929
Governmental Activities Capital Assets, net	\$ 672,985	\$ (96,616)	\$ -	\$ 576,369

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

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

Governmental Activities	
Regular Instruction	\$ 5,931
Operation and Maintenance	170,714
Pupil Transportation	43,721
School Food Services	1,090
Total Depreciation Expense - Governmental Activities	<u>\$ 221,456</u>

**NOTE 5 – LONG-TERM LIABILITIES**

During the year ended June 30, 2023, the following changes occurred in liabilities reported in long-term liabilities:

	Long-term Liabilities at July 1, 2022	Increases	Decreases	Long-term Liabilities at June 30, 2023	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, 2023 consists of the following issue:

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
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.

## **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, 2023, if the District were to report on the full accrual basis, a liability of \$1,943,526 for its proportionate share of the net pension liability would have been reported. The net pension liability was measured as of June 30, 2022 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, 2023 the District's proportion was .133479 percent, which was a decrease of .005224 percent from its proportion measured as of June 30, 2022. The District's pension contribution for the year ended June 30, 2023 was \$145,770.

### Actuarial Assumptions

The total pension liability in the July 1, 2022 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, 2022, 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, 2022, is summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equities	55%	6.61%
Global Fixed Income	26%	0.35%
Global Real Assets	18%	4.60%
Cash Equivalents	1%	-1.05%

### Discount Rate

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2022. 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, 2022, 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, 2022. 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, 2022.

**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 the year ended June 30, 2023, the amount the District matched was \$6,937.

**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 the 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 year ended June 30, 2023 was \$9,720.

**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**

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**NOTE 12 – TRANSFERS**

The following is a summary of transfers for the year ended June 30, 2023:

	<u>Transfers In</u>	<u>Transfers Out</u>
Fund		
Special Reserve	\$ -	\$ 14,000
Capital Projects	14,000	-
	<u>          </u>	<u>          </u>
Totals	<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 13 – FUND BALANCE**

The following is a summary of fund balances as of June 30, 2023:

Restricted	
Special Reserve	\$ 191,659
Capital Projects	310,266
Student Activities	<u>175,550</u>
Total Restricted	677,475
Assigned	
Food Service	<u>34,269</u>
Total Assigned	34,269
Unassigned	<u>998,699</u>
Total Fund Balance	<u>\$ 1,710,443</u>

**NOTE 14 – SUBSEQUENT EVENTS**

The District has evaluated subsequent events through October 18, 2023, 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 \$4-5 million over the next two years.

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

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – MODIFIED CASH BASIS**  
**Year Ended June 30, 2023**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Local Sources	\$ 832,475	\$ 832,475	\$ 867,853	\$ 35,378
State Sources	1,613,144	1,613,144	1,605,416	(7,728)
Federal Sources	153,574	153,574	144,248	(9,326)
Interest Income	5,000	5,000	6,979	1,979
Miscellaneous Income	19,000	19,000	52,100	33,100
Total Revenues	2,623,193	2,623,193	2,676,596	53,403
<b>EXPENDITURES</b>				
Current				
Regular Instruction	1,305,389	1,310,604	1,288,157	22,447
Special Instruction	192,125	192,125	187,598	4,527
Vocational Instruction	132,710	132,710	128,423	4,287
Pupil Services	22,656	22,655	22,442	213
General Administration Services	161,790	162,790	162,934	(144)
School Administration Services	211,120	222,621	186,392	36,229
Operation and Maintenance	424,670	424,670	342,800	81,870
Pupil Transportation	208,125	208,125	199,757	8,368
Student Activities	211,670	211,670	226,818	(15,148)
School Food Services	47,045	29,330	33,729	(4,399)
Community Services	35,045	35,045	34,813	232
Total Expenditures	2,952,345	2,952,345	2,813,863	138,482
Excess (Deficiency) of Revenues over Expenditures	(329,152)	(329,152)	(137,267)	191,885
FUND BALANCE, BEGINNING OF YEAR			1,239,773	
FUND BALANCE, END OF YEAR			<u>\$ 1,102,506</u>	



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

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEET – MODIFIED CASH BASIS**  
**June 30, 2023**

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	Food Service	Wishek Scholarship	Total Other Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 34,269	\$ -	\$ 34,269
Savings and CD's	-	71,743	71,743
Total Assets	34,269	71,743	106,012
FUND BALANCE			
Restricted	-	71,743	71,743
Assigned	34,269	-	34,269
Fund Balance	<u>\$ 34,269</u>	<u>\$ 71,743</u>	<u>\$ 106,012</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, 2023**

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	Food Service	Wishek Scholarship	Total Other Governmental Funds
REVENUES			
Local Sources	\$ 40,421	\$ -	\$ 40,421
State Sources	782	-	782
Federal Sources	77,887	-	77,887
Interest Income	159	1,002	1,161
Total Revenues	119,249	1,002	120,251
EXPENDITURES			
Current			
School Food Services	127,109	-	127,109
Community Services	-	2,005	2,005
Total Expenditures	127,109	2,005	129,114
Excess (Deficiency) of Revenues over Expenditures	(7,860)	(1,003)	(8,863)
FUND BALANCE, BEGINNING OF YEAR	42,129	72,746	114,875
FUND BALANCE, END OF YEAR	\$ 34,269	\$ 71,743	\$ 106,012



**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 year ended June 30, 2023, 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 18, 2023.

**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 (2023-001 and 2023-002).

## **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 18, 2023

**SCHEDULE OF CURRENT YEAR FINDINGS**  
**Year ended June 30, 2023**

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*2023-001 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**

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*2023-002 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**  
**Year ended June 30, 2023**

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**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 2023-001.

*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 2023-002.