

**HARVEY PUBLIC SCHOOL DISTRICT
HARVEY, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the President and Board Members
Harvey Public School District
Harvey, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Harvey 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 District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Harvey Public School District as of June 30, 2023, and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting as described in Note 2.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Harvey 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 2 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, 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Harvey 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 Harvey 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 School's basic financial statements. The budgetary comparison schedule, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements. The budgetary comparison schedule and schedule of expenditures of federal awards are the responsibility of management and were derived from and related 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 and schedule of expenditures of federal awards are 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 February 2, 2024 on our consideration of the 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 solely 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 the effectiveness of Harvey Public School District's 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 Harvey Public School District's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA**

February 2, 2024

HARVEY PUBLIC SCHOOL DISTRICT
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2023

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 2,584,012
Investments	607,197
Total current assets	<u>3,191,209</u>
Non-current assets	
Capital assets	4,978,108
Less: Accumulated depreciation	<u>(3,530,431)</u>
Total capital assets	<u>1,447,677</u>
Total assets	<u>4,638,886</u>
NET POSITION	
Net investment in capital assets	1,447,677
Restricted for:	
Capital projects	1,001,120
Student Activities	135,793
Unrestricted	<u>2,054,296</u>
Total net position	<u>\$ 4,638,886</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

HARVEY PUBLIC SCHOOL DISTRICT
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenues and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in Net Position</u>
			<u>Contributions</u>	<u>Governmental</u>
				<u>Activities</u>
Primary government				
Governmental activities				
Instruction:				
Regular	\$ 2,987,752	\$ 41,999	\$ 824,420	\$ (2,121,333)
Special education	616,322	-	-	(616,322)
Vocational education	283,511	-	57,241	(226,270)
Total instruction	<u>3,887,585</u>	<u>41,999</u>	<u>881,661</u>	<u>(2,963,925)</u>
Support services:				
Pupil services	90,622	-	-	(90,622)
Instructional staff services	142,881	-	-	(142,881)
General administration services	288,415	-	-	(288,415)
School administration services	351,419	-	-	(351,419)
Operations and maintenance	775,912	-	-	(775,912)
Pupil transportation services	361,422	-	188,186	(173,236)
Extracurricular activities	677,787	422,097	-	(255,690)
Food services	385,286	135,957	163,798	(85,531)
Total support services	<u>3,073,744</u>	<u>558,054</u>	<u>351,984</u>	<u>(2,163,706)</u>
Total governmental activities	<u>\$ 6,961,329</u>	<u>\$ 600,053</u>	<u>\$ 1,233,645</u>	<u>(5,127,631)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				1,620,697
Property taxes, levied for renovation				133,668
State aid not restricted for specific purpose				
Per pupil aid				3,137,228
Unrestricted state aid				13,714
Interest income and other revenues				9,664
Total general revenues				<u>4,914,971</u>
Change in net position				(212,660)
Total net position - beginning				<u>4,851,546</u>
Total net position - ending				<u>\$ 4,638,886</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

HARVEY PUBLIC SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
MODIFIED CASH BASIS
JUNE 30, 2023

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Reserve</u>	<u>Food Service</u>	<u>Student Activities</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 1,034,943	\$ 1,001,120	\$ 362,147	\$ 50,009	\$ 135,793	\$ 2,584,012
Investments	607,197	-	-	-	-	607,197
Total assets	<u>\$ 1,642,140</u>	<u>\$ 1,001,120</u>	<u>\$ 362,147</u>	<u>\$ 50,009</u>	<u>\$ 135,793</u>	<u>\$ 3,191,209</u>
FUND BALANCES:						
Restricted for:						
Capital projects	\$ -	\$ 1,001,120	\$ -	\$ -	\$ -	\$ 1,001,120
Student Activities	-	-	-	-	135,793	135,793
Assigned to:						
Food service	-	-	-	50,009	-	50,009
Reserve	-	-	362,147	-	-	362,147
Unassigned	1,642,140	-	-	-	-	1,642,140
Total fund balances	<u>\$ 1,642,140</u>	<u>\$ 1,001,120</u>	<u>\$ 362,147</u>	<u>\$ 50,009</u>	<u>\$ 135,793</u>	<u>\$ 3,191,209</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

HARVEY PUBLIC SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
MODIFIED CASH BASIS
JUNE 30, 2023

Total fund balance - governmental funds		\$ 3,191,209
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	4,978,108	
Less accumulated depreciation	<u>(3,530,431)</u>	
Net capital assets		<u>1,447,677</u>
Net position of governmental activities in the Statement of Net Position		<u><u>\$ 4,638,886</u></u>

SEE NOTES TO THE FINANCIAL STATEMENTS

HARVEY PUBLIC SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Capital Projects Fund	Reserve	Food Service	Student Activities	Total Governmental Funds
REVENUES						
Property taxes	\$ 1,618,315	\$ 133,668	\$ 2,383	\$ -	\$ -	\$ 1,754,366
Other local sources	45,318	5,139	1,102	136,056	422,097	609,712
State sources	3,405,718	-	-	2,600	-	3,408,318
Federal sources	815,073	-	-	161,198	-	976,271
Total revenues	<u>5,884,424</u>	<u>138,807</u>	<u>3,485</u>	<u>299,854</u>	<u>422,097</u>	<u>6,748,667</u>
EXPENDITURES						
Instruction:						
Regular	2,873,974	-	-	-	-	2,873,974
Special education	616,322	-	-	-	-	616,322
Vocational education	283,511	-	-	-	-	283,511
Total instruction	<u>3,773,807</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,773,807</u>
Support services:						
Pupil services	90,622	-	-	-	-	90,622
Instructional staff services	142,881	-	-	-	-	142,881
General administration services	288,413	-	-	-	-	288,413
School administration services	351,419	-	-	-	-	351,419
Operations and maintenance	536,004	229,621	-	-	-	765,625
Pupil transportation services	314,321	-	-	-	-	314,321
Extracurricular	243,204	-	-	-	434,583	677,787
Food service	195,873	-	-	189,413	-	385,286
Total support services	<u>2,162,737</u>	<u>229,621</u>	<u>-</u>	<u>189,413</u>	<u>434,583</u>	<u>3,016,354</u>
Capital outlay	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>12,528</u>	<u>-</u>	<u>52,528</u>
Total expenditures	<u>5,976,544</u>	<u>229,621</u>	<u>-</u>	<u>201,941</u>	<u>434,583</u>	<u>6,842,689</u>
Excess (deficiency) of revenues over expenditures	<u>(92,120)</u>	<u>(90,814)</u>	<u>3,485</u>	<u>97,913</u>	<u>(12,486)</u>	<u>(94,022)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	311,942	1,778	-	10,981	-	324,701
Transfers out	(1,778)	-	(35,000)	(276,942)	(10,981)	(324,701)
Total other financing sources and uses	<u>310,164</u>	<u>1,778</u>	<u>(35,000)</u>	<u>(265,961)</u>	<u>(10,981)</u>	<u>-</u>
Net change in fund balances	218,044	(89,036)	(31,515)	(168,048)	(23,467)	(94,022)
Fund balances - beginning	1,424,096	1,090,156	393,662	218,057	159,260	3,285,231
Fund balances - ending	<u>\$ 1,642,140</u>	<u>\$ 1,001,120</u>	<u>\$ 362,147</u>	<u>\$ 50,009</u>	<u>\$ 135,793</u>	<u>\$ 3,191,209</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

HARVEY PUBLIC SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE WITH
THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2023

Net change in fund balances - total governmental funds:	\$ (94,022)
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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 cost 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 capital outlays exceeded depreciation in the current year.

Current year capital outlay	52,528
Current year depreciation expense	(171,166)

Change in net position of governmental activities	\$ (212,660)
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SEE NOTES TO THE FINANCIAL STATEMENTS

HARVEY PUBLIC SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
MODIFIED CASH BASIS
JUNE 30, 2023

	<u>Custodial Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 82,451</u>
NET POSITION	
Restricted for scholarships	<u><u>\$ 82,451</u></u>

SEE NOTES TO THE FINANCIAL STATEMENTS

HARVEY PUBLIC SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2023

	Custodial Fund
ADDITIONS	
Scholarship donations	\$ 5,600
Interest income	30
Total additions	<u>5,630</u>
DEDUCTIONS	
Instruction	
Regular	<u>6,600</u>
Change in net position	<u>(970)</u>
Total net position - beginning of year	<u>83,421</u>
Total net position - end of year	<u><u>\$ 82,451</u></u>

SEE NOTES TO THE FINANCIAL STATEMENTS

HARVEY PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Principal Activity

Harvey Public School District operates the elementary and high school in the City of Harvey, North Dakota.

Reporting Entity

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of an organization's governing body and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources. Component units may also include organizations that are fiscally dependent on the District. Fiscal dependence can include the District's approval of the budget, issuance of debt, and/or levying of taxes for the organization.

Based on the above criteria, there are no component units included in the School District's reporting entity.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are presented on the modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

Basis of Presentation

The District's basic financial statements consist of government-wide statements and fund financial statements.

Government-wide Financial Statements

The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These statements display information about the District as a whole.

The Statement of Net Position presents the financial condition of the governmental activities of the District at year-end.

The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. The statement identifies the extent to which each governmental function is self-financing or drawing from the general revenues of the District. Direct expenses are expenses that are specifically associated with a service, program or department. The direct expenses are clearly identifiable to a particular function. Program revenues include charges to recipients for goods or services offered by the program, grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District.

HARVEY PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

The government-wide financial statements do not include fiduciary funds or component units that are fiduciary in nature.

Fund Financial Statements

In order to aid financial management and to demonstrate legal compliance, the District segregates transactions related to certain functions or activities in separate funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The focus of the governmental fund financial statements is on major funds. Each major fund is presented as a separate column in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. The District has elected to show all the funds as major. The fiduciary funds are reported by type.

Fund accounting – The District’s funds consist of the following:

Governmental Funds - Governmental funds are utilized to account for most of the District’s governmental functions. The reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which the obligation will be paid. Fund balance represents the difference between the governmental fund assets and liabilities. The District’s major governmental funds are as follows:

General fund - This fund is the general operating fund of the District. It accounts for all financial resources except those required to be accounted for in another fund.

Capital projects fund - This fund accounts for the acquisition and construction of the District’s major capital facilities.

Reserve fund – This fund has a separate levy and is set aside to meet any unexpected costs that may arise.

Food service fund – This fund accounts for the activity and financial resources that support the District’s hot lunch and breakfast programs.

Student Activity fund - The fund accounts for the financial transactions related to the District’s student activity programs.

Fiduciary Funds - The reporting focus of fiduciary funds is on net position and changes in net position. The District’s fiduciary fund is a custodial fund. The District’s custodial funds consist of the following:

Scholarship fund - The fund accounts for the flow through of funds received by the District that are used to fund scholarships for students.

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus, within the limitations of the modified cash basis of accounting.

HARVEY PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

Fund Financial Statements

The governmental funds are accounted for using a flow of current financial resources measurement focus, as applied to the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance reports on the sources and uses of current financial resources.

The current financial resources measurement focus differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Due to these differences, the District's financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds.

Fiduciary funds also use the economic resources measurement focus.

Basis of Accounting

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

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

The District's governmental funds use the modified cash basis of accounting. As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for services billed or provided but 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 government-wide statements would be prepared on the accrual basis of accounting and the governmental fund financial statements would be prepared on the modified accrual basis of accounting.

Cash and Cash Equivalents

The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are certificates of deposit with maturities of more than three months. North Dakota state statute authorizes school districts to invest their surplus funds in: a) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress, b) Securities sold under agreements to

HARVEY PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above, c) Certificates of deposit fully insured by the Federal Deposit Insurance Corporation d) Obligations of the state.

Capital Assets

The District has established a capitalization threshold of \$5,000. Donated fixed assets are recorded at acquisition value at the date received. The District does not have any infrastructure assets. Improvements that significantly extend the useful life of the asset are also capitalized.

The District's land and construction in progress costs are capitalized but are not depreciated. All the remaining capital assets are depreciated over their estimated useful lives on a straight-line basis. The District has established the following useful lives:

Land Improvements	20 years
Buildings and Improvements	15 to 50 years
Machinery and Equipment	5 to 20 years
Vehicles	8 years

Long-term Obligations

All long-term obligations related to debt are reported in the District's government wide financial statements. The District's governmental fund financials report only those obligations that will be paid from current financial resources.

Net Position

Net position represents the difference between assets and liabilities. 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 related to those assets. Unrestricted Net Position is the net amount of assets and liabilities that are not included in the determination of net investments in capital assets or the restricted component of net position.

Net Position Flow Assumption

Sometimes, the government will fund outlays for particular purposes for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted-net position to have been depleted before unrestricted – net position is applied.

Fund Balance Classifications

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

Nonspendable – consists of amounts that are not in spendable form, such as inventory and prepaid items. The District does not have any fund balance classified as nonspendable.

HARVEY PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

Restricted – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions and administered by the North Dakota Department of Education.

Committed – consists of internally imposed constraints. These constraints are established by Resolution of the School Board. The District does not have any fund balances classified as committed.

Assigned – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the District's intended use. These constraints are established by the School Board and/or management.

Unassigned – is the residual classification for the general fund and also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to first use restricted resources, and then use unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the District's policy to use resources in the following order; 1) committed, 2) assigned and 3) unassigned.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Estimates

The preparation of the financial statements in conformity with the modified cash basis of accounting used by the District requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Revenue Recognition - Property Taxes

Property taxes attach as an enforceable lien on property January 1. A five percent reduction is allowed if paid by February 15. Penalties and interest are added March 15 if the first half of the taxes has not been paid. Additional penalties are added October 15, if not paid. Taxes are collected by the county and usually remitted monthly to the school district. Property taxes are limited by state laws. All school district tax levies are in compliance with state laws.

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to conform to the current year presentation.

HARVEY PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

NOTE 3 CONCENTRATION OF CREDIT RISK

Custodial Credit Risk

Custodial credit risk is the risk associated with the failure of a depository institution. In the event of a depository financial institution's failure, the District would not be able to recover the deposits or collateralized securities that are in the possession of the outside parties. The District does not have a formal policy regarding deposits. The fair value of the collateral pledged must be equal to or greater than 110% of the deposits not covered by insurance on bonds. The District maintains cash on deposit at various financial institutions. The amount on deposit was insured by the FDIC up to \$250,000 at each institution. At June 30, 2023, the District had approximately \$2,344,824 in excess of the FDIC limits on deposit. The amount in excess was covered by pledged securities at June 30, 2023.

NOTE 4 ECONOMIC DEPENDENCY

Harvey Public School District receives a substantial amount of its support from federal and state governments. A significant reduction in the level of this support, if this were to occur, may have a material effect on the District's programs and therefore on its continued operations.

NOTE 5 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2023 was as follows:

	Balance 7/1/2022 (Restated)	Additions	Deductions	Balance 6/30/2023
Capital assets being depreciated:				
Land improvements	\$ 107,877	\$ -	\$ -	\$ 107,877
Buildings and improvements	3,098,627	-	-	3,098,627
Machinery and equipment	943,124	12,528	-	955,652
Vehicles	775,952	40,000	-	815,952
Total capital assets being depreciated	<u>4,925,580</u>	<u>52,528</u>	<u>-</u>	<u>4,978,108</u>
Less accumulated depreciation				
Land improvements	40,410	5,950	-	46,360
Buildings and improvements	2,072,147	79,209	-	2,151,356
Machinery & equipment	614,587	38,906	-	653,493
Vehicles	632,121	47,101	-	679,222
Total accumulated depreciation	<u>3,359,265</u>	<u>171,166</u>	<u>-</u>	<u>3,530,431</u>
Total capital assets being depreciated, net	1,566,315	(118,638)	-	1,447,677
Net capital assets for governmental activities	<u>\$ 1,566,315</u>	<u>\$ (118,638)</u>	<u>\$ -</u>	<u>\$ 1,447,677</u>

Beginning balances were edited to include fully depreciated assets of \$18,381 that were funded with student activity funds in the prior year.

HARVEY PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

In the governmental activities section of the statement of activities, depreciation was charged to expense in the following governmental functions:

Regular	\$ 113,777
Operations and maintenance	10,288
Pupil transportation	<u>47,101</u>
Total	<u><u>\$ 171,166</u></u>

NOTE 6 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

HARVEY PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

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

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.

HARVEY PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

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. Refunded 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 Harvey Public School District were to report on the full accrual basis, a liability of \$4,327,273 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 valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2022, the Employer's proportion was 0.29719202 percent, which is a decrease of 0.0097 percent from the Employer's proportionate share at June 30, 2021. There were no deferred inflows or outflows of resources reported on the District's financial statements as they are reporting on the modified cash basis.

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 the 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, including inflation
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.

HARVEY PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the TFFR target asset allocation as of June 30, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equities	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 percent 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 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 TFFR's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on TFFR investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2022.

HARVEY PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

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 Annual Comprehensive Financial Report (ACFR) is located at

<https://www.rio.nd.gov/sites/www/files/documents/PDFs/RIO/Reports/annualreport2022.pdf>.

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The annual pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020, the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service. The Main Plan will be closed to new employees with the passage of House Bill 1040. The effective date is dependent upon NDPERS implementing the changes to set up a new defined contribution (DC) plan. If the DC plan is set up by December 31, 2023, then the effective date of the Main Plan closure will be January 1, 2024. If the changes cannot be accomplished by then, the effective date will be January 1, 2025.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

HARVEY PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition of disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020, member contribution rates are 8.26% of covered compensation. Employer contribution rates increase by 1% beginning January 1, 2024.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

HARVEY PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

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

At June 30, 2023, if Harvey Public School District were to report on the full accrual basis, a liability of \$1,874,693 for its proportionate share of the net pension liability would have been reported. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2022, the Employer's proportion was 0.065092 percent, which is an increase of 0.0032 percent from the Employer's proportion at June 30, 2021. There were no deferred inflows or outflows of resources reported on the District's financial statements as they are reporting on the modified cash basis.

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 the measurement:

Inflation	2.25%
Salary increases	3.50% to 17.75% including inflation
Investment rate of return	5.10%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30%	5.75%
International Equity	21%	6.45%
Private Equity	7%	9.20%
Domestic Fixed Income	23%	0.34%
Global Real Assets	19%	4.35%

HARVEY PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

Discount Rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.69%; and the resulting Single Discount Rate is 5.10%.

Pension Plan Fiduciary Net Position

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

NOTE 7 OTHER POST EMPLOYMENT BENEFITS

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

HARVEY PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied*" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019, the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2023, if the Harvey Public School District were to report on the full accrual basis, a liability of \$75,075 would have been reported. The net OPEB liability was measured at June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2022, the Employer's proportion was 0.062546 percent, which is an increase of 0.0097 percent from the Employer's proportion at June 30, 2021. There were no deferred inflows or outflows of resources reported on the District's financial statements as they are reporting on the modified cash basis.

HARVEY PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

Actuarial Assumptions

The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	5.75%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC 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. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad US Equities	39%	5.75%
International Equities	26%	6.00%
Core-Plus Fixed Income	35%	0.22%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.39%. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

HARVEY PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

OPEB Plan Fiduciary Net Position

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

NOTE 8 CONTINGENCIES

The District received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally requires compliance with items and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund. The District's management believes it has complied with all applicable grant provisions. In the opinion of management, any possible disallowed claims would not have a material adverse effect on the overall financial position of the District as of June 30, 2023.

NOTE 9 TRANSFERS

The transfers as of June 30, 2023 consist of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 311,942	\$ 1,778
Capital Projects Fund	1,778	-
Reserve Fund	-	35,000
Food Service Fund	10,981	276,942
Student Activities Fund	-	10,981
Total	<u>\$ 324,701</u>	<u>\$ 324,701</u>

The transfer to the capital projects fund was made to correctly allocate property tax revenues recorded in the general fund in the amount of \$1,778.

The transfer from the reserve fund was made to transfer excess reserve funds to the general fund in the amount of \$35,000.

The transfers from the food service fund was to reimburse payroll expense paid by the general fund in the amount of \$276,942.

The transfer to the food service fund from the student activity fund was to reimburse the food service fund for milk in the amount of \$10,980.

NOTE 10 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2023, expenditures exceeded appropriations in the general fund by \$1,115,805.

NOTE 11 RISK MANAGEMENT

Harvey Public School 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.

HARVEY PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

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

Harvey Public School 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 two million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the District with blanket fidelity bond coverage in the amount of two million dollars for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

Harvey Public School District participates in North Dakota Workforce Safety and Insurance and purchases commercial insurance for employee health and accident insurance.

Settled claims resulting from the above risks, have not exceeded insurance coverage in any of the past three fiscal periods.

NOTE 12 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through February 2, 2024, which is the date these financial statements were available to be issued.

HARVEY PUBLIC SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE- GENERAL FUND
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts Original and Final	Actual Amounts, Budgetary Basis	Variance with Final Budget
REVENUES			
Property taxes	\$ 1,618,315	\$ 1,618,315	\$ -
Other local sources	45,318	45,318	-
State sources	3,405,718	3,405,718	-
Federal sources	815,073	815,073	-
Total revenues	<u>5,884,424</u>	<u>5,884,424</u>	<u>-</u>
EXPENDITURES			
Instruction:			
Regular	2,225,471	2,873,974	(648,503)
Special education	159,847	616,322	(456,475)
Vocational education	353,093	283,511	69,582
Total instruction	<u>2,738,411</u>	<u>3,773,807</u>	<u>(1,035,396)</u>
Support services:			
Pupil services	93,084	90,622	2,462
Instructional staff services	131,729	142,881	(11,152)
General administration services	273,282	288,413	(15,131)
School administration services	350,533	351,419	(886)
Operations and maintenance	585,416	536,004	49,412
Pupil transportation services	275,188	314,321	(39,133)
Extracurricular	218,179	243,204	(25,025)
Food service	194,917	195,873	(956)
Total support services	<u>2,122,328</u>	<u>2,162,737</u>	<u>(40,409)</u>
Capital outlay	<u>-</u>	<u>40,000</u>	<u>(40,000)</u>
Total expenditures	<u>4,860,739</u>	<u>5,976,544</u>	<u>(1,115,805)</u>
Excess (deficiency) of revenues over expenditures	<u>1,023,685</u>	<u>(92,120)</u>	<u>(1,115,805)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	311,942	311,942
Transfers out	<u>-</u>	<u>(1,778)</u>	<u>(1,778)</u>
Total other financing sources and uses	<u>-</u>	<u>310,164</u>	<u>310,164</u>
Net change in fund balances	1,023,685	218,044	805,641
Fund balances - beginning	1,424,096	1,424,096	-
Fund balances - ending	<u>\$ 2,447,781</u>	<u>\$ 1,642,140</u>	<u>\$ 805,641</u>

SEE NOTES TO THE SUPPLEMENTARY INFORMATION

HARVEY PUBLIC SCHOOL DISTRICT
NOTES TO THE SUPPLEMENTARY INFORMATION
JUNE 30, 2023

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

The District's board adopts an annual budget on a basis consistent with the modified cash basis for the general fund.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- The annual budget must be prepared and District taxes must be levied on or before the 15th day of August of each year.
- The taxes levied must be certified to the county auditor by October 10th.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the business and operations manager at the revenue and expenditure function/object level.
- The current budget, except property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- All appropriations lapse at year end.

HARVEY PUBLIC SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2023

Federal Grantor/Pass-through Grantor/Program Title	Federal AL Number	Pass-Through Grantor Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through the ND Department of Public Instruction:			
School Breakfast Program (SBP)	10.553	0605	\$ 31,222
National School Lunch Program	10.555	0603 / 0604	109,223
National School Lunch Program	10.555S	0600	18,231
National School Lunch Program - Commodities	10.555	52038	<u>33,194</u>
Total Child Nutrition Cluster			191,870
State Administrative Expenses for Child Nutrition	10.560	0600	<u>2,522</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>194,392</u>
<u>U.S. Department of Education</u>			
Passed through the ND Department of Public Instruction			
Title I	84.010	0600	239,418
Supporting Effective Instruction	84.367	0600 / 0601	79,507
Student Support and Academic Enrichment Program	84.424A	0600	30,108
COVID-19: Elementary and Secondary School Emergency Relief Fund	84.425D	0600	102,212
COVID-19: American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	0600	<u>363,828</u>
Total 84.425 ESSER funds			<u>466,040</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>815,073</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 1,009,465</u>

See Notes to the Schedule of Expenditures of Federal Awards

HARVEY PUBLIC SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule of Expenditures of Federal Awards (the “schedule”) are reported on the modified cash basis of accounting. Such expenditures are recognized following the applicable cost principles contained in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or limited as to reimbursement.

NOTE 2 INDIRECT COST RATE

Harvey Public School District has not elected to use the 10-percent de minimis cost rate as allowed under the Uniform Guidance.

NOTE 3 BASIS OF PRESENTATION

The accompanying schedule includes the federal award activity of Harvey Public School District under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Harvey Public School District, it is not intended to and does not present the financial positions, changes in net position, or cash flows of Harvey Public School District.

**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**

To The President and Board Members
Harvey Public School District
Harvey, 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 modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Harvey 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 District's basic financial statements, and have issued our report thereon dated February 2, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the modified cash basis financial statements, we considered the 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 modified cash basis financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's modified cash basis financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. These are reported as findings 2023-001, 2023-002, and 2023-003.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's modified cash basis 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 financial statements. However, providing an opinion on compliance with those 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*.

Harvey Public School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Harvey Public School District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Harvey Public School District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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



**BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA**

February 2, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To The President and Board Members
Harvey Public School District
Harvey, North Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Harvey Public School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Harvey Public School District's major federal programs for the year ended June 30, 2023. Harvey Public School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Harvey Public School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Harvey Public School District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Harvey Public School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Harvey Public School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Harvey Public School District's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Harvey Public School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Harvey Public School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Harvey Public School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Harvey Public School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of

compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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



BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

February 2, 2024

HARVEY PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether
the financial statements audited were prepared
in accordance with modified cash basis:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 x yes no

Significant deficiency(ies) identified that are
not considered to be material weaknesses?

 yes x none reported

Non-compliance material to financial
statements noted?

 yes x no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

 yes x no

Significant deficiency(ies) identified that are
not considered to be material weaknesses?

 yes x none reported

Type of auditor’s report issued on compliance
for major programs:

Unmodified

Any audit findings disclosed that are
required to be reported in accordance with
2 CFR 200.516(a)?

 yes x no

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
---------------------	---

84.425D / 84.425U	Elementary and Secondary School Emergency Relief Fund
-------------------	---

Dollar threshold used to distinguish
between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 yes x no

HARVEY PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

Section II - Financial Statement Findings

2023-001: Preparation of Financial Statements

Criteria

An appropriate system of internal control requires the District to prepare financial statements in compliance with accounting principles generally accepted in the United States of America as applied under the modified cash basis.

Condition

The District's personnel prepare periodic financial information for internal use that meets the needs of management and the board. However, the District currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America as applied under the modified cash basis. The District has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause

The District elected to not allocate resources for the preparation of the financial statements.

Effect

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

Recommendation

We recommend the District consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control the District should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Views of Responsible Officials and Planned Corrective Actions

The District has reviewed their current system and due to the small size of the entity, it is not cost effective for the District to properly address this significant deficiency.

2023-002: Proposition of Journal Entries

Criteria

The District is required to maintain internal controls at a level where underlying support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with the modified cash basis of accounting.

Condition

During our audit, adjusting entries to the financial statements were proposed in order to properly reflect the financial statements in accordance with the modified cash basis of accounting.

Cause

The District's internal controls have not been designed to address the specific training needs required of its personnel to identify the adjustments necessary to properly reflect the financial statements in accordance with the modified cash basis of accounting.

HARVEY PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

Effect

The District's financial statements were materially misstated prior to adjustments detected as a result of audit procedures.

Recommendation

Accounting personnel will need to determine the proper balance in each general ledger account prior to the audit.

Views of Responsible Officials and Planned Corrective Actions

The District has reviewed their current system and due to the small size of the entity, it is not cost effective for the District to properly address this deficiency.

2023-003: Segregation of Duties

Criteria

Generally, an appropriate system of internal control has the proper separation of duties between authorization, custody, record keeping and reconciliation functions.

Condition

There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keeping and reconciliation.

Cause

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

Effect

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

Recommendation

We recommend the District review their internal controls over the accounting functions to determine if additional procedures can be implemented that are cost effective. The board should constantly be aware of this condition. Compensating controls that mitigate the related risks could be (or are) provided through appropriate oversight of the performance of these functions and review of the financial reports by individuals with knowledge of current operations and accounting principles.

Views of Responsible Officials and Planned Corrective Actions

The Superintendent or Board President/Vice-President review bank reconciliations, bank statements, invoices, deposits, and payroll reports after the Business Manager has processed them as well as supporting documentation. All District financial transactions are entered into the District's accounting software.

Section III – Federal Award Findings and Questioned Costs

There were no findings to be reported in this section.

HARVEY PUBLIC SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

2022-001: Preparation of Financial Statements

Criteria

An appropriate system of internal control requires the District to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

Condition

The District's personnel prepare periodic financial information for internal use that meets the needs of management and the board. However, the District currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The District has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause

The District elected to not allocate resources for the preparation of the financial statements.

Effect

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

Recommendation

We recommend the District consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control the District should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Views of Responsible Officials and Planned Corrective Actions

The District has reviewed their current system and due to the small size of the entity, it is not cost effective for the District to properly address this significant deficiency.

Current Status

Based upon our audit testing, the finding was repeated as current year finding 2023-001.

2022-002: Proposition of Journal Entries

Criteria

The District is required to maintain internal controls at a level where underlying support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with the modified cash basis of accounting.

Condition

During our audit, adjusting entries to the financial statements were proposed in order to properly reflect the financial statements in accordance with the modified cash basis of accounting.

Cause

The District's internal controls have not been designed to address the specific training needs required of its personnel to identify the adjustments necessary to properly reflect the financial statements in accordance with the modified cash basis of accounting.

HARVEY PUBLIC SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS – CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

Effect

The District's financial statements were materially misstated prior to adjustments detected as a result of audit procedures.

Recommendation

Accounting personnel will need to determine the proper balance in each general ledger account prior to the audit.

Views of Responsible Officials and Planned Corrective Actions

The District has reviewed their current system and due to the small size of the entity, it is not cost effective for the District to properly address this deficiency.

Current Status

Based upon our audit testing, the finding was repeated as current year finding 2023-002.

2022-003: Segregation of Duties

Criteria

Generally, an appropriate system of internal control has the proper separation of duties between authorization, custody, record keeping and reconciliation functions.

Condition

There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keeping and reconciliation.

Cause

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

Effect

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

Recommendation

We recommend the District review their internal controls over the accounting functions to determine if additional procedures can be implemented that are cost effective. The board should constantly be aware of this condition. Compensating controls that mitigate the related risks could be (or are) provided through appropriate oversight of the performance of these functions and review of the financial reports by individuals with knowledge of current operations and accounting principles.

Views of Responsible Officials and Planned Corrective Actions

The Superintendent or Board President/Vice-President review bank reconciliations, bank statements, invoices, deposits, and payroll reports after the Business Manager has processed them as well as supporting documentation. All District financial transactions are entered into the District's accounting software.

Current Status

Based upon our audit testing, the finding was repeated as current year finding 2023-003.



Harvey Public Schools

"Striving for Excellence"

811 Burke Avenue

Harvey, ND 58341

Phone: 701-324-2267 Fax: 701-324-4812



Dr. Robert Lukens
Superintendent

Louisa Harness
Business Manager

Derrick Gross
Secondary Principal

Mike Prom
Activities Director

Dr. Teresa Harding
Elementary Principal

Corrective Action Plan - June 30, 2023

2023-001

Contact Person

Louisa Harness, Business Manager

Corrective Action Plan

The District has reviewed their current system and due to the small size of the entity, it is not cost effective for the District to properly address this significant deficiency.

2023-002

Contact Person

Louisa Harness, Business Manager

Corrective Action Plan

The District has reviewed their current system and due to the small size of the entity, it is not cost effective for the District to properly address this deficiency.

2023-003

Contact Person

Louisa Harness, Business Manager

Corrective Action Plan

The Superintendent or Board President/Vice-President review bank reconciliations, bank statements, invoices, deposits, and payroll reports after the Business Manager has processed them as well as supporting documentation. All District financial transactions are entered into the District's accounting software.