

**EDGELEY PUBLIC SCHOOL DISTRICT**  
**Edgeley, North Dakota**

**AUDITED FINANCIAL STATEMENTS**  
**Years Ended June 30, 2023 and 2022**

**EDGELEY PUBLIC SCHOOL DISTRICT**  
**Edgeley, North Dakota**

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**June 30, 2023**

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**EDGELEY PUBLIC SCHOOL DISTRICT**  
**Edgeley, North Dakota**

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

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Jared Nitschke	President
Amanda Huber	Vice-President
Jeffrey Fleck	Board Member
Erica Wall Schlosser	Board Member
Dana Ellingson	Board Member
Tyler Hanson	Superintendent
Sadie Barnick	Business Manager



## INDEPENDENT AUDITOR'S REPORT

School Board  
Edgeley Public School District  
Edgeley, North Dakota

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Edgeley Public School District (the "District"), as of and for the years ended June 30, 2023 and 2022, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 – Change in Accounting and Correction

As discussed in Note 19, the District has changed from the modified cash basis of accounting to accounting principles generally accepted in the United States of America and corrected errors in capital assets. Accordingly, a restatement has been made to the governmental activities and governmental funds as of July 1, 2021, to restate beginning net position and fund balance. 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 accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule – general fund, schedules of employer's proportionate share of net pension liability and employer contributions, and notes to required supplementary information presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The nonmajor governmental funds – combining balance sheet and nonmajor governmental funds – combining schedule of revenues, expenditures, and changes in fund balance are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 nonmajor governmental funds – combining balance sheet and nonmajor governmental funds – combining schedule of revenues, expenditures, and changes in fund balance is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the official directory but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Nadine Julson, LLC  
Wahpeton, North Dakota  
October 30, 2024

**EDGELEY PUBLIC SCHOOL DISTRICT**  
**Edgeley, North Dakota**

**STATEMENTS OF NET POSITION**  
**June 30, 2023 and 2022**

	2023	2022
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$ 158,242	\$ 226,261
Savings and CD's	1,756,326	1,739,034
Accounts Receivable	2,335	-
Due from County	10,288	11,566
Due from State Government	21,682	24,388
Due from Federal Government	206,904	166,764
Taxes Receivable	44,406	61,665
Total Current Assets	2,200,183	2,229,678
Capital Assets		
Non-depreciable		
Construction in Progress	-	-
Depreciable, net of accumulated depreciation		
Buildings and Improvements	5,822,821	5,926,100
Vehicles	36,415	44,808
Equipment	87,796	103,236
Total Capital Assets	5,947,032	6,074,144
Total Assets	8,147,215	8,303,822
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Outflows Related to Pensions	575,682	375,809
Total Assets and Deferred Outflows of Resources	8,722,897	8,679,631
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	45,590	73,177
Interest Payable	18,183	19,301
Current Portion of Long-term Debt		
State School Construction Loan	135,554	134,212
Total Current Liabilities	199,327	226,690
Due After One Year		
General Obligation Bonds Payable	810,000	865,000
State School Construction Loan	2,043,077	2,182,000
Compensated Absences	17,338	21,131
Pension Liability	2,665,722	1,892,108
Total Long-term Liabilities	5,536,137	4,960,239
Total Liabilities	5,735,464	5,186,929
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows Related to Pensions	265,482	891,370
Total Liabilities and Deferred Inflows of Resources	6,000,946	6,078,299
<b>NET POSITION</b>		
Net Investment in Capital Assets	2,958,401	2,892,932
Restricted	1,030,274	1,002,506
Unrestricted (Deficit)	(1,266,724)	(1,294,106)
Total Net Position	\$ 2,721,951	\$ 2,601,332

See Notes to Financial Statements

**EDGELEY PUBLIC SCHOOL DISTRICT**  
**Edgeley, North Dakota**

**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2023**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Regular Instruction	\$ 1,854,260	\$ 3,114	\$ 292,579	\$ (1,558,567)
Special Instruction	73,442	29,159	-	(44,283)
Vocational Instruction	373,184	-	21,683	(351,501)
Pupil Services	121,941	-	-	(121,941)
General Administration Services	168,002	-	-	(168,002)
School Administration Services	239,167	-	-	(239,167)
Operation and Maintenance	587,091	-	-	(587,091)
Pupil Transportation	308,141	-	129,094	(179,047)
Student Activities	413,659	140,335	163,283	(110,041)
School Food Services	288,730	97,872	178,492	(12,366)
Community Services	7,487	-	-	(7,487)
Interest and Other Charges	64,957	-	-	(64,957)
	<u>\$ 4,500,061</u>	<u>\$ 270,480</u>	<u>\$ 785,131</u>	<u>(3,444,450)</u>
General Revenues				
Taxes				
Taxes Levied for General Purposes				1,107,214
Taxes Levied for Debt Purposes				223,358
Taxes Levied for Building Purposes				44,567
State Aid, not restricted for specific purpose				2,136,839
Interest and Investment Earnings				23,399
Miscellaneous				29,692
Total General Revenues				<u>3,565,069</u>
Change in Net Position				120,619
Net Position, Beginning of Year				<u>2,601,332</u>
Net Position, End of Year				<u>\$ 2,721,951</u>

See Notes to Financial Statements



**EDGELEY PUBLIC SCHOOL DISTRICT**  
**Edgeley, North Dakota**

**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2022**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Regular Instruction	\$ 1,740,132	\$ 1,650	\$ 192,929	\$ (1,545,553)
Special Instruction	232,711	76,738	-	(155,973)
Vocational Instruction	369,440	-	26,071	(343,369)
Pupil Services	77,283	-	-	(77,283)
General Administration Services	162,491	-	-	(162,491)
School Administration Services	221,194	-	-	(221,194)
Operation and Maintenance	481,338	-	-	(481,338)
Pupil Transportation	299,442	-	129,547	(169,895)
Student Activities	313,240	124,343	114,910	(73,987)
School Food Services	290,526	22,374	279,952	11,800
Community Services	3,716	-	-	(3,716)
Interest and Other Charges	40,954	-	-	(40,954)
	<u>\$ 4,232,467</u>	<u>\$ 225,105</u>	<u>\$ 743,409</u>	<u>(3,263,953)</u>
General Revenues				
Taxes				
Taxes Levied for General Purposes				1,059,133
Taxes Levied for Debt Purposes				256,143
Taxes Levied for Building Purposes				49,449
State Aid, not restricted for specific purpose				2,044,399
Interest and Investment Earnings				3,655
Miscellaneous				3,215
Total General Revenues				<u>3,415,994</u>
Change in Net Position				152,041
Net Position, Beginning of Year				<u>2,449,291</u>
Net Position, End of Year				<u>\$ 2,601,332</u>

See Notes to Financial Statements

**EDGELEY PUBLIC SCHOOL DISTRICT**  
**Edgeley, North Dakota**

**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**June 30, 2023**

	Major Fund		Other	Total
	General Fund	Debt Service	Governmental Funds	Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 154,066	\$ -	\$ 4,176	\$ 158,242
Savings and CD's	1,017,621	423,833	314,872	1,756,326
Accounts Receivable	2,335	-	-	2,335
Due from County	8,300	1,459	529	10,288
Due from State Government	21,682	-	-	21,682
Due from Federal Government	195,241	-	11,663	206,904
Taxes Receivable	34,127	7,511	2,768	44,406
Total Assets	1,433,372	432,803	334,008	2,200,183
<b>LIABILITIES</b>				
Accounts Payable	45,590	-	-	45,590
Total Liabilities	45,590	-	-	45,590
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	34,127	7,511	2,768	44,406
Total Deferred Inflows of Resources	34,127	7,511	2,768	44,406
<b>FUND BALANCE</b>				
Restricted	347,403	425,292	265,483	1,038,178
Assigned	-	-	65,757	65,757
Unassigned	1,006,252	-	-	1,006,252
Fund Balance	1,353,655	425,292	331,240	2,110,187
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 1,433,372	\$ 432,803	\$ 334,008	\$ 2,200,183

See Notes to Financial Statements

**EDGELEY PUBLIC SCHOOL DISTRICT**  
**Edgeley, North Dakota**

**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**June 30, 2022**

	Major Fund		Other	Total
	General Fund	Debt Service	Governmental Funds	Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 213,844	\$ -	\$ 12,417	\$ 226,261
Savings and CD's	1,005,572	447,584	285,878	1,739,034
Due from County	8,860	2,234	472	11,566
Due from State Government	24,388	-	-	24,388
Due from Federal Government	156,013	-	10,751	166,764
Taxes Receivable	45,924	11,914	3,827	61,665
Total Assets	1,454,601	461,732	313,345	2,229,678
<b>LIABILITIES</b>				
Accounts Payable	73,177	-	-	73,177
Total Liabilities	73,177	-	-	73,177
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	45,924	11,914	3,827	61,665
Total Deferred Inflows of Resources	45,924	11,914	3,827	61,665
<b>FUND BALANCE</b>				
Restricted	323,303	449,818	232,945	1,006,066
Assigned	-	-	76,573	76,573
Unassigned	1,012,197	-	-	1,012,197
Fund Balance	1,335,500	449,818	309,518	2,094,836
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 1,454,601	\$ 461,732	\$ 313,345	\$ 2,229,678

See Notes to Financial Statements

**EDGELEY PUBLIC SCHOOL DISTRICT**  
**Edgeley, North Dakota**

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

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Total Fund Balance - Governmental Funds		\$	2,110,187
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	14,052,392		
Less Accumulated Depreciation	(8,105,360)		
Net Capital Assets			5,947,032
Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the funds.			
			44,406
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.			
Interest Payable	(18,183)		
Compensated Absences	(17,338)		
General Obligation Bonds Payable	(810,000)		
State School Construction Loan	(2,178,631)		
Pension Liability (net of related outflows and inflows)	(2,355,522)		
Total Long-term Liabilities			(5,379,674)
Total Net Position of Governmental Activities		\$	2,721,951

See Notes to Financial Statements

**EDGELEY PUBLIC SCHOOL DISTRICT**  
**Edgeley, North Dakota**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2022**

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Total Fund Balance - Governmental Funds		\$	2,094,836
Total net position reported for government activities in the statement of net position is different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.			
Cost of Capital Assets	13,976,548		
Less Accumulated Depreciation	(7,902,404)		
Net Capital Assets			6,074,144
Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the funds.			
			61,665
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.			
Interest Payable	(19,301)		
Compensated Absences	(21,131)		
General Obligation Bonds Payable	(865,000)		
State School Construction Loan	(2,316,212)		
Pension Liability (net of related outflows and inflows)	(2,407,669)		
Total Long-term Liabilities			(5,629,313)
Total Net Position of Governmental Activities		\$	2,601,332

See Notes to Financial Statements

**EDGELEY PUBLIC SCHOOL DISTRICT**  
**Edgeley, North Dakota**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2023**

	Major Fund		Other	Total
	General Fund	Debt Service	Governmental Funds	Governmental Funds
REVENUES				
Local Sources	\$ 1,414,947	\$ 227,761	\$ 183,453	\$ 1,826,161
State Sources	2,287,616	-	796	2,288,412
Federal Sources	292,579	-	177,696	470,275
Interest Income	12,683	6,369	4,347	23,399
Miscellaneous Income	29,692	-	-	29,692
Total Revenues	4,037,517	234,130	366,292	4,637,939
EXPENDITURES				
Current				
Regular Instruction	1,856,234	-	-	1,856,234
Special Instruction	73,442	-	-	73,442
Vocational Instruction	358,512	-	-	358,512
Pupil Services	121,941	-	-	121,941
General Administration Services	168,002	-	-	168,002
School Administration Services	239,167	-	-	239,167
Operation and Maintenance	432,782	-	73,347	506,129
Pupil Transportation	299,748	-	-	299,748
Student Activities	405,787	-	-	405,787
School Food Services	-	-	287,483	287,483
Community Services	7,487	-	-	7,487
Debt Service				
Principal	-	192,581	-	192,581
Interest and Other Charges	-	66,075	-	66,075
Facilities Acquisition and Construction	-	-	40,000	40,000
Total Expenditures	3,963,102	258,656	400,830	4,622,588
Excess (Deficiency) of Revenues over Expenditures	74,415	(24,526)	(34,538)	15,351
OTHER FINANCING SOURCES (USES)				
Operating Transfer In	-	-	56,260	56,260
Operating Transfer Out	(56,260)	-	-	(56,260)
Total Other Financing Sources (Uses)	(56,260)	-	56,260	-
NET CHANGE IN FUND BALANCE	18,155	(24,526)	21,722	15,351
FUND BALANCE, BEGINNING OF YEAR	1,335,500	449,818	309,518	2,094,836
FUND BALANCE, END OF YEAR	\$ 1,353,655	\$ 425,292	\$ 331,240	\$ 2,110,187

See Notes to Financial Statements

**EDGELEY PUBLIC SCHOOL DISTRICT**  
**Edgeley, North Dakota**

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

	Major Fund		Other	Total
	General Fund	Debt Service	Governmental Funds	Governmental Funds
REVENUES				
Local Sources	\$ 1,318,848	\$ 255,356	\$ 107,466	\$ 1,681,670
State Sources	2,200,017	-	371	2,200,388
Federal Sources	192,929	-	279,581	472,510
Interest Income	2,265	794	596	3,655
Miscellaneous Income	3,215	-	-	3,215
Total Revenues	3,717,274	256,150	388,014	4,361,438
EXPENDITURES				
Current				
Regular Instruction	1,812,867	-	-	1,812,867
Special Instruction	232,711	-	-	232,711
Vocational Instruction	354,768	-	-	354,768
Pupil Services	77,283	-	-	77,283
General Administration Services	162,491	-	-	162,491
School Administration Services	221,194	-	-	221,194
Operation and Maintenance	344,625	-	60,483	405,108
Pupil Transportation	291,049	-	-	291,049
Student Activities	305,368	-	-	305,368
School Food Services	-	-	289,279	289,279
Community Services	3,716	-	-	3,716
Debt Service				
Principal	-	167,465	-	167,465
Interest and Other Charges	-	72,354	-	72,354
Total Expenditures	3,806,072	239,819	349,762	4,395,653
Excess (Deficiency) of Revenues over Expenditures	(88,798)	16,331	38,252	(34,215)
FUND BALANCE, BEGINNING OF YEAR	1,424,298	433,487	271,266	2,129,051
FUND BALANCE, END OF YEAR	\$ 1,335,500	\$ 449,818	\$ 309,518	\$ 2,094,836

See Notes to Financial Statements

**EDGELEY PUBLIC SCHOOL DISTRICT**  
**Edgeley, North Dakota**

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

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Net Change in Fund Balances - Total Governmental Funds		\$	15,351
The change in net position reported for governmental activities in the statement of activities is different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets with a cost greater than \$5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year.			
			(127,112)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.			
Net Decrease in Compensated Absences	3,793		
Net Decrease in Pension and OPEB Liability	52,147		
Net Decrease in Interest Payable	1,118		
			57,058
Repayment of debt principal and other long-term liabilities is an expenditure in the governmental fund financial statements, but repayment reduces long-term liabilities in the statement of net position.			
			192,581
Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of a decrease in taxes receivable.			
			(17,259)
Change in Net Position of Governmental Activities		\$	120,619

See Notes to Financial Statements



**EDGELEY PUBLIC SCHOOL DISTRICT**  
**Edgeley, North Dakota**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2022**

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Net Change in Fund Balances - Total Governmental Funds		\$	(34,215)
The change in net position reported for governmental activities in the statement of activities is different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets with a cost greater than \$5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year.			
			(198,224)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.			
Net Decrease in Compensated Absences	7,434		
Net Decrease in Pension and OPEB Liability	155,111		
Net Decrease in Interest Payable	31,400		
			193,945
Repayment of debt principal and other long-term liabilities is an expenditure in the governmental fund financial statements, but repayment reduces long-term liabilities in the statement of net position.			
			167,465
Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of an increase in taxes receivable.			
			23,070
Change in Net Position of Governmental Activities		\$	152,041

See Notes to Financial Statements

**EDGELEY PUBLIC SCHOOL DISTRICT**  
**Edgeley, North Dakota**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023 and 2022**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Edgeley Public School District, Edgeley, North Dakota (the “District”) have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**A. Reporting Entity**

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

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

**B. Basis of Presentation, Basis of Accounting**

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

Fund financial statements – The fund financial statements provide reports on the financial condition and results of operations for governmental fund categories. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

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

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

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Additionally, the District reports the following governmental fund types that are included in nonmajor funds:

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

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

Government-wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Government Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

**D. Cash and Investments**

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

**E. Capital Assets**

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

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

Assets	Years
Buildings and Improvements	20 – 50
Equipment and Vehicles	10

## **F. Leases**

The determination of whether an arrangement contains a lease is made at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the District has control of the right to use asset. Control includes the right to obtain present service capacity and the right to determine the nature and manner of use of the underlying asset, as specified in the contract.

Leases with an initial lease term of more than 12 months, or that contain an option to purchase that the District is reasonably certain to exercise, are recognized based on the present value of lease payments over the lease term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the District uses its incremental borrowing rate based on the information available at the lease commencement date. The District has made an accounting policy election to use a risk free rate based on US Treasury Tbill rate as of the lease commencement. The District accounts for lease agreements with lease and non-lease components together as a single lease component for all underlying classes of assets.

The District continues to record rent expense for short term leases on a straight-line basis over the lease term. Short term leases have a term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the District is reasonably certain to exercise.

## **G. Vacation Pay, Sick Pay, Severance**

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

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

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

## **H. Long-term Obligations**

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

## **I. Pension Plan**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Fund for Retirement (TFFR) additions to/deductions from TFFR fiduciary net position have been determined on the same basis as they are reported by TFFR. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## **J. Fund Balance**

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

- **Nonspendable**
  - Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. They include items such as, but not limited to, inventories, prepaid items, or the permanent principal of endowment funds.

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

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

#### **K. Net Position**

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

#### **L. Interfund Transactions**

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

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

#### **M. Subscription-Based Information Technology Arrangements (SBITA)**

Subscription-Based Information Technology Arrangements (SBITA) are contracts that convey control of the right to use another party's IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The determination of whether a SBITA asset and liability are to be recorded in the financial statements is made at inception by evaluating the maximum possible term of the SBITA.

A SBITA contract with an initial term of more than 12 months, or that contain an option to extend the contract more than 12 months that is reasonably expected to be exercised by the District, are recognized based on the present value of subscription payments over the contract term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the District uses its incremental borrowing rate based on the information available at the SBITA contract commencement date. The District has made an accounting policy election to use a risk-free rate based on US Treasury Tbill rate as of the SBITA contract commencement.

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

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The District continues to recognize short-term SBITA subscription payments as outflows of resources (expenditure) based on the payment provision of the SBITA contract. Short-term SBITA contracts have a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised.

**NOTE 2 – LEGAL COMPLIANCE – BUDGETS**

Expenditures over Appropriations – For the years ended June 30, 2023 and 2022, general fund expenditures were less than appropriations.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

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

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

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the State of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board. At year end June 30, 2023 and 2022, the District's carrying amounts of deposits were \$1,914,568 and \$1,965,295 and the bank balances were \$2,108,030 and \$1,996,751. Of the bank balances, \$500,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by pledging financial institution's agent in the government's name.

*Credit Risk*

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

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

As of June 30, 2023, the District held certificates of deposit of \$1,357,000.

*Interest Rate Risk*

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

*Concentration of Credit Risk*

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

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

**NOTE 4 – TAXES RECEIVABLE**

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

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

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

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

**NOTE 5 – ACCOUNTS RECEIVABLE**

Accounts receivable consists of amounts for accrued interest and amounts on open account from other school districts and organizations for goods and services furnished by the District. No allowance has been established for uncollectible accounts.

**NOTE 6 – DUE FROM COUNTY**

Due from county represents the amount of taxes collected prior to year-end that are distributed to the District shortly after June 30, 2023.

**NOTE 7 – DUE FROM STATE AND FEDERAL GOVERNMENT**

The amount due from state and federal government consists of a reimbursement claim for various projects and Title Programs. Title programs are passed through the state.

**NOTE 8 – CAPITAL ASSETS**

The following is a summary of changes in capital assets for the years ended June 30, 2023 and 2022:

	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023
Governmental Activities				
Capital Assets, being depreciated				
Buildings and Improvements	\$ 13,687,565	\$ 75,844	\$ -	\$ 13,763,409
Vehicles	83,933	-	-	83,933
Equipment	205,050	-	-	205,050
Total Capital Assets, being depreciated	13,976,548	75,844	-	14,052,392
Less Accumulated Depreciation for				
Buildings and Improvements	7,761,465	179,123	-	7,940,588
Vehicles	39,125	8,393	-	47,518
Equipment	101,814	15,440	-	117,254
Total Accumulated Depreciation	7,902,404	202,956	-	8,105,360
Total Capital Assets Being Depreciated, net	6,074,144	(127,112)	-	5,947,032
Governmental Activities Capital Assets, net	\$ 6,074,144	\$ (127,112)	\$ -	\$ 5,947,032

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

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022
Governmental Activities				
Capital Assets, not being depreciated				
Construction in Progress	\$ 57,876	\$ -	\$ (57,876)	\$ -
Total Capital Assets, not being depreciated	57,876	-	(57,876)	-
Capital Assets, being depreciated				
Buildings and Improvements	13,626,474	61,091	-	13,687,565
Vehicles	83,933	-	-	83,933
Equipment	205,050	-	-	205,050
Total Capital Assets, being depreciated	13,915,457	61,091	-	13,976,548
Less Accumulated Depreciation for				
Buildings and Improvements	7,583,859	177,606	-	7,761,465
Vehicles	23,685	15,440	-	39,125
Equipment	93,421	8,393	-	101,814
Total Accumulated Depreciation	7,700,965	201,439	-	7,902,404
Total Capital Assets Being Depreciated, net	6,214,492	(140,348)	-	6,074,144
Governmental Activities Capital Assets, net	\$ 6,272,368	\$ (140,348)	\$ (57,876)	\$ 6,074,144

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

	2023	2022
Governmental Activities		
Regular Instruction	\$ 89,810	\$ 89,810
Vocational Instruction	14,672	14,672
Operation and Maintenance	80,962	79,445
Pupil Transportation	8,393	8,393
Student Activities	7,872	7,872
School Food Services	1,247	1,247
Total Depreciation Expense - Governmental Activities	\$ 202,956	\$ 201,439

**NOTE 9 – LONG-TERM LIABILITIES**

During the years ended June 30, 2023 and 2022, the following changes occurred in liabilities reported in long-term liabilities:

	Long-term Liabilities at July 1, 2022	Increases	Decreases	Long-term Liabilities at June 30, 2023	Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	\$ 865,000	\$ -	\$ (55,000)	\$ 810,000	\$ -
State School Construction Loan	2,316,212	-	(137,581)	2,178,631	135,554
Compensated Absences*	21,131	-	(3,793)	17,338	-
Pension Liability*	1,892,108	773,614	-	2,665,722	-
Total - Governmental Activities	\$ 5,094,451	\$ 773,614	\$ (196,374)	\$ 5,671,691	\$ 135,554



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

	Long-term Liabilities at July 1, 2021	Increases	Decreases	Long-term Liabilities at June 30, 2022	Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	\$ 915,000	\$ -	\$ (50,000)	\$ 865,000	\$ -
State School Construction Loan	2,433,677	-	(117,465)	2,316,212	134,212
Compensated Absences*	28,565	-	(7,434)	21,131	-
Pension Liability*	2,814,303	-	(922,195)	1,892,108	-
Total - Governmental Activities	<u>\$ 6,191,545</u>	<u>\$ -</u>	<u>\$ (1,097,094)</u>	<u>\$ 5,094,451</u>	<u>\$ 134,212</u>

\*The change in compensated absences and pension liability is shown as a net change because changes in salary prohibit exact calculations of additions and reductions.

Outstanding debt at June 30, 2023, are comprised of the following individual issues:

- Series 2016 General Obligation Bonds – From an original issuance of \$1,170,000 at rates 1.00% - 3.00%, \$810,000 remains outstanding. Principal and interest are payable through August 1, 2036.
- State School Construction Loan – From an original issuance of \$2,730,000 at 2.00%, \$2,178,631 remains outstanding. Principal and interest are payable through August 1, 2037.

The debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Payment
2024	\$ 135,554	\$ 53,065	\$ 188,619
2025	191,909	60,708	252,617
2026	193,278	56,952	250,230
2027	194,661	52,991	247,652
2028	196,058	49,002	245,060
2029 - 2033	1,036,731	178,446	1,215,177
2034 - 2038	1,040,440	55,740	1,096,180
Totals	<u>\$ 2,988,631</u>	<u>\$ 506,904</u>	<u>\$ 3,495,535</u>

**NOTE 10 – DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources in the fund financial statements consist of amounts for which asset recognition criteria have been met. Under the modified accrual basis of accounting, such amounts are measurable but not available and include taxes receivables of \$44,406 and \$61,665. Deferred inflows of resources on the statement of net position consist of related pension expense of \$265,482 and \$891,370.

**NOTE 11 – DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows of resources in the fund financial statements consist of amounts for which liability recognition criteria have been met, but for which expense recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. Deferred outflows of resources on the statement of net position consist of related pension expense of \$575,682 and \$375,809.

**NOTE 12 – RISK MANAGEMENT**

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

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

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

#### **NOTE 13 – PENSION PLANS**

##### **North Dakota Teacher's Fund for Retirement**

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

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

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

##### *Pension Benefits*

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

##### *Tier 1 Grandfathered*

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

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

*Tier 1 Non-Grandfathered*

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

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

*Tier 2*

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

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

*Death and Disability Benefits*

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

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

*Member and Employer Contributions*

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

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

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

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

At June 30, 2023 and 2022, the District reported a liability of \$2,665,722 and \$1,892,108 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial calculation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employees. At June 30, 2022 and 2021 the District's proportion was .183079% and .179576%.

For the year ended June 30, 2023, the District recognized pension expense of \$132,024. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,488	\$ 71,173
Changes in assumptions	54,205	-
Net difference between projected and actual investment earnings	199,666	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	126,150	194,309
Employer contributions subsequent to the measurement date	184,173	-
Totals	<u>\$ 575,682</u>	<u>\$ 265,482</u>

\$184,173 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

For the year ended June 30, 2022, the District recognized pension expense of \$28,575. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,146	\$ 79,795
Changes in assumptions	66,460	-
Net difference between projected and actual investment earnings	-	554,415
Changes in proportion and differences between employer contributions and proportionate share of contributions	112,518	257,160
Employer contributions subsequent to the measurement date	183,685	-
Totals	<u>\$ 375,809</u>	<u>\$ 891,370</u>

\$183,685 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2024	\$ 7,265
2025	(6,793)
2026	(16,933)
2027	141,928
2028	(1,731)
Thereafter	2,291

*Actuarial Assumptions*

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

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

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

The actuarial assumptions used were based on the results of an actuarial experience study dated March 19, 2020. They are the same as the assumptions used in the July 1, 2022, funding actuarial valuation for TFFR.

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

The long-term expected rate of return on TFFR investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the TFFR target asset allocation as of June 30, 2022, is summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equities	55%	6.90%
Global Fixed Income	26%	0.35%
Global Real Assets	18%	4.60%
Cash Equivalents	1%	-1.05%

EDGELEY PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements – Continued

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 pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of July 1, 2022. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2022.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension liability	\$ 3,662,457	\$ 2,665,722	\$ 1,839,055

Pension Plan Fiduciary Net Position

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

NOTE 14 – RETIREMENT PLAN

The District established a 403(b) retirement plan where the District will contribute up to \$9,000 in 403(b) contributions and other cafeteria benefits. For the years ended June 30, 2023 and 2022 the amounts the District contributed was \$74,573 and \$63,988.

NOTE 15 – JOINT VENTURE

The District participates in the following joint ventures:

James River Special Education Unit

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

Southeast Region Career and Technology Center

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

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

**NOTE 16 – NONMONETARY TRANSACTIONS**

The District receives food commodities from the federal government to subsidize its food service program. The market value of commodities received for the years ended June 30, 2023 and 2022 was \$16,055 and \$16,057.

**NOTE 17 – TRANSFERS**

Transfers from the general fund to the capital projects fund were made to cover expenditures made in the capital projects fund.

**NOTE 18 – FUND BALANCE**

The following is a summary of fund balances as of June 30, 2023 and 2022:

	2023	2022
Restricted		
Special Reserve	\$ 129,297	\$ 146,009
Capital Projects	136,186	86,936
Debt Service	425,292	449,818
Student Activities	347,403	323,303
Total Restricted	1,038,178	1,006,066
Assigned		
Food Service	65,757	76,573
Total Assigned	65,757	76,573
Unassigned	1,006,252	1,012,197
Total Fund Balance	<u>\$ 2,110,187</u>	<u>\$ 2,094,836</u>

**NOTE 19 – CHANGE IN ACCOUNTING**

In 2021, management adopted a policy of preparing its financial statements with accounting principles generally accepted in the United States of America. Prior to this, the District's financial statements were prepared in accordance with the modified cash basis of accounting. Management believes that this change results in more relevant financial reporting for the District and for the needs of the users of the financial statements. Management also discovered corrections in Capital Assets. The financial statements were restated as follows:

Net Position July 1, 2021 as previously reported	\$ 4,830,193
Restatement:	
Capital Assets (net of accumulated depreciation)	74,140
Revenue Receivable	148,409
Taxes Receivable	38,595
Compensated Absences	(28,565)
Interest Payable	(50,701)
Net Pension Liability (net of deferred outflows and inflows)	(2,562,780)
Net position July 1, 2021 as restated	<u>\$ 2,449,291</u>
Fund Balance July 1, 2021 as previously reported	\$ 1,980,642
Restatement:	
Revenue Receivable	148,409
Fund Balance July 1, 2021 as restated	<u>\$ 2,129,051</u>

**NOTE 20 – SUBSEQUENT EVENTS**

The District has evaluated subsequent events through October 30, 2024, the date on which the financial statements were available to be issued.



**EDGELEY PUBLIC SCHOOL DISTRICT**  
**Edgeley, North Dakota**

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

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Local Sources	\$ 1,477,552	\$ 1,414,947	\$ (62,605)
State Sources	2,324,012	2,287,616	(36,396)
Federal Sources	111,160	292,579	181,419
Interest Income	2,950	12,683	9,733
Miscellaneous Income	500	29,692	29,192
Total Revenues	3,916,174	4,037,517	121,343
EXPENDITURES			
Current			
Regular Instruction	1,991,127	1,856,234	134,893
Special Instruction	216,687	73,442	143,245
Vocational Instruction	346,400	358,512	(12,112)
Pupil Services	134,284	121,941	12,343
General Administration Services	168,984	168,002	982
School Administration Services	212,525	239,167	(26,642)
Operation and Maintenance	380,762	432,782	(52,020)
Pupil Transportation	295,003	299,748	(4,745)
Student Activities	395,465	405,787	(10,322)
Community Services	19,910	7,487	12,423
Total Expenditures	4,161,147	3,963,102	198,045
Excess (Deficiency) of Revenues over Expenditures	(244,973)	74,415	319,388
OTHER FINANCING SOURCES (USES)			
Operating Transfer Out	-	(56,260)	(56,260)
Total Other Financing Sources (Uses)	-	(56,260)	(56,260)
NET CHANGE IN FUND BALANCE	(244,973)	18,155	263,128
FUND BALANCE, BEGINNING OF YEAR		1,335,500	
FUND BALANCE, END OF YEAR		\$ 1,353,655	

**EDGELEY PUBLIC SCHOOL DISTRICT**  
**Edgeley, North Dakota**

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
**Year Ended June 30, 2022**

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Local Sources	\$ 1,340,358	\$ 1,318,848	\$ (21,510)
State Sources	2,253,312	2,200,017	(53,295)
Federal Sources	102,711	192,929	90,218
Interest Income	2,490	2,265	(225)
Miscellaneous Income	500	3,215	2,715
Total Revenues	3,699,371	3,717,274	17,903
EXPENDITURES			
Current			
Regular Instruction	1,715,548	1,812,867	(97,319)
Special Instruction	213,644	232,711	(19,067)
Vocational Instruction	338,693	354,768	(16,075)
Pupil Services	115,095	77,283	37,812
General Administration Services	162,462	162,491	(29)
School Administration Services	220,304	221,194	(890)
Operation and Maintenance	432,210	344,625	87,585
Pupil Transportation	290,473	291,049	(576)
Student Activities	300,355	305,368	(5,013)
Community Services	61,815	3,716	58,099
Total Expenditures	3,850,599	3,806,072	44,527
Excess (Deficiency) of Revenues over Expenditures	(151,228)	(88,798)	62,430
FUND BALANCE, BEGINNING OF YEAR		1,424,298	
FUND BALANCE, END OF YEAR		\$ 1,335,500	

**EDGELEY PUBLIC SCHOOL DISTRICT**  
**Edgeley, North Dakota**

**PENSION SCHEDULES**  
**Year Ended June 30, 2023**

NDTFFR Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions Last 10 Fiscal Years\*\*

	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.183079%	2,665,722	1,440,668	185.03%	67.50%
2022	0.179576%	1,892,108	1,383,988	136.71%	75.70%
2021	0.183881%	2,814,303	1,341,706	209.76%	63.40%
2020	0.196077%	2,700,474	1,375,535	196.32%	65.50%
2019	0.180891%	2,411,026	1,229,717	196.06%	65.50%
2018	0.194430%	2,670,545	1,312,346	203.49%	63.20%
2017	0.197178%	2,888,779	1,281,117	225.49%	59.20%
2016	0.198535%	2,596,550	1,221,200	212.62%	62.10%
2015	0.199896%	2,094,556	1,159,504	180.64%	66.60%
	Statutorily required contribution	Contributions in relation to statutorily required contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2023	183,685	(183,685)	-	1,440,668	12.75%
2022	176,459	(176,459)	-	1,383,988	12.75%
2021	171,089	(171,089)	-	1,341,706	12.75%
2020	175,381	(175,381)	-	1,375,535	12.75%
2019	156,789	(156,789)	-	1,229,717	12.75%
2018	167,324	(167,324)	-	1,312,346	12.75%
2017	163,342	(163,342)	-	1,281,117	12.75%
2016	155,695	(155,695)	-	1,221,200	12.75%
2015	124,645	(124,645)	-	1,159,504	10.75%

\*Complete data for these schedules is not available prior to 2015

\*\*The measurement date of the net pension liability is June 30<sup>th</sup> of the prior year

**EDGELEY PUBLIC SCHOOL DISTRICT**  
**Edgeley, North Dakota**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2023**

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**NOTE 1 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

*Budgetary Information*

The School Board adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States 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 Manager at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- All appropriations lapse at year-end.

**NOTE 2 – NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT CHANGES OF ASSUMPTIONS**

*Changes of Assumptions*

Amounts reported in 2021 and later reflect the following actuarial assumption changes based on the results of an actuarial experience study dated March 19, 2020.

- Investment return assumption lowered from 7.75% to 7.25%.
- Inflation assumption lowered from 2.75% to 2.30%.
- Individual salary increases were lowered.
- Rates of turnover, retirement and disability were changed to better reflect anticipated future experience.
- The post-retirement healthy mortality table was updated to 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019.
- The disabled mortality was updated to the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019.
- The pre-retirement mortality table was updated to the PubT-2010 Employee table projected with generational improvement using Scale MP-2019.

Amounts reported in 2016-2020 reflect the following actuarial assumption changes based on the results of an actuarial experience study dated April 30, 2015.

- Investment return assumption lowered from 8% to 7.75%.
- Inflation assumption lowered from 3% to 2.75%.
- Total salary scale rates lowered by 0.25% due to lower inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

**EDGELEY PUBLIC SCHOOL DISTRICT**  
**Edgeley, North Dakota**

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

	Special Reserve	Food Service	Capital Projects	Total Other Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ 3,156	\$ 1,020	\$ 4,176
Savings and CD's	129,052	50,938	134,882	314,872
Due from County	245	-	284	529
Due from Federal Government	-	11,663	-	11,663
Taxes Receivable	1,296	-	1,472	2,768
Total Assets	130,593	65,757	137,658	334,008
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	1,296	-	1,472	2,768
Total Deferred Inflows of Resources	1,296	-	1,472	2,768
<b>FUND BALANCE</b>				
Restricted	129,297	-	136,186	265,483
Assigned	-	65,757	-	65,757
Fund Balance	129,297	65,757	136,186	331,240
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 130,593	\$ 65,757	\$ 137,658	\$ 334,008

**EDGELEY PUBLIC SCHOOL DISTRICT**  
**Edgeley, North Dakota**

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEET**  
**June 30, 2022**

	Special Reserve	Food Service	Capital Projects	Total Other Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ 4,697	\$ 7,720	\$ 12,417
Savings and CD's	145,929	61,125	78,824	285,878
Due from County	80	-	392	472
Due from Federal Government	-	10,751	-	10,751
Taxes Receivable	1,724	-	2,103	3,827
Total Assets	147,733	76,573	89,039	313,345
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	1,724	-	2,103	3,827
Total Deferred Inflows of Resources	1,724	-	2,103	3,827
<b>FUND BALANCE</b>				
Restricted	146,009	-	86,936	232,945
Assigned	-	76,573	-	76,573
Fund Balance	146,009	76,573	86,936	309,518
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 147,733	\$ 76,573	\$ 89,039	\$ 313,345

**EDGELEY PUBLIC SCHOOL DISTRICT**  
**Edgeley, North Dakota**

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE**  
**Year Ended June 30, 2023**

	Special Reserve	Food Service	Capital Projects	Total Other Governmental Funds
REVENUES				
Local Sources	\$ 40,383	\$ 97,872	\$ 45,198	\$ 183,453
State Sources	-	796	-	796
Federal Sources	-	177,696	-	177,696
Interest Income	150	303	3,894	4,347
Total Revenues	40,533	276,667	49,092	366,292
EXPENDITURES				
Current				
Operation and Maintenance	57,245	-	16,102	73,347
School Food Services	-	287,483	-	287,483
Facilities Acquisition and Construction	-	-	40,000	40,000
Total Expenditures	57,245	287,483	56,102	400,830
Excess (Deficiency) of Revenues over Expenditures	(16,712)	(10,816)	(7,010)	(34,538)
OTHER FINANCING SOURCES				
Operating Transfer In	-	-	56,260	56,260
Total Other Financing Sources	-	-	56,260	56,260
NET CHANGE IN FUND BALANCE	(16,712)	(10,816)	49,250	21,722
FUND BALANCE, BEGINNING OF YEAR	146,009	76,573	86,936	309,518
FUND BALANCE, END OF YEAR	\$ 129,297	\$ 65,757	\$ 136,186	\$ 331,240

**EDGELEY PUBLIC SCHOOL DISTRICT**  
**Edgeley, North Dakota**

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

	Special Reserve	Food Service	Capital Projects	Total Other Governmental Funds
REVENUES				
Local Sources	\$ 40,101	\$ 22,374	\$ 44,991	\$ 107,466
State Sources	-	371	-	371
Federal Sources	-	279,581	-	279,581
Interest Income	318	139	139	596
Total Revenues	40,419	302,465	45,130	388,014
EXPENDITURES				
Current				
Operation and Maintenance	49,661	-	10,822	60,483
School Food Services	-	289,279	-	289,279
Total Expenditures	49,661	289,279	10,822	349,762
Excess (Deficiency) of Revenues over Expenditures	(9,242)	13,186	34,308	38,252
FUND BALANCE, BEGINNING OF YEAR	155,251	63,387	52,628	271,266
FUND BALANCE, END OF YEAR	\$ 146,009	\$ 76,573	\$ 86,936	\$ 309,518





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

School Board  
Edgeley Public School District  
Edgeley, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Edgeley Public School District (the "District"), as of and for the year ended June 30, 2023, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 30, 2024.

**Report on Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses (2023-001 and 2023-002).

## **Report on Compliance and Other Matters**

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

## **District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the findings identified in our engagement and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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



Nadine Julson, LLC  
Wahpeton, North Dakota  
October 30, 2024

**EDGELEY PUBLIC SCHOOL DISTRICT**  
**Edgeley, North Dakota**

**SCHEDULE OF CURRENT YEAR FINDINGS**  
**Years ended June 30, 2023 and 2022**

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*2023-001 INADEQUATE SEGREGATION OF DUTIES*

**Criteria**

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

**Condition**

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

**Effect or Potential Effect**

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

**Recommendation**

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

**Views of Responsible Officials**

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

**EDGELEY PUBLIC SCHOOL DISTRICT**  
**Schedule of Current Year Findings – Continued**

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*2023-002 FINANCIAL STATEMENT PREPARATION*

**Criteria**

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

**Condition**

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

**Effect or Potential Effect**

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

**Recommendation**

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

**Views of Responsible Officials**

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

**EDGELEY PUBLIC SCHOOL DISTRICT**  
**Edgeley, North Dakota**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Years ended June 30, 2023 and 2022**

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**Prior Financial Statement Findings**

*2021-001*

A material weakness was reported for inadequate segregation of duties.

**Recommendation**

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements. This material weakness continues to exist under the current audit findings as finding number 2023-001.

*2021-002*

A material weakness was reported for financial statement preparation.

**Recommendation**

The accounting functions should be reviewed to determine if it is feasible for the District to prepare its own financial statements. This material weakness continues to exist under the current audit findings as number 2023-002.