

**OAKES PUBLIC SCHOOL DISTRICT**  
**Oakes, North Dakota**

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

**OAKES PUBLIC SCHOOL DISTRICT**  
**Oakes, North Dakota**

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**June 30, 2023 and 2022**

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**OAKES PUBLIC SCHOOL DISTRICT**  
**Oakes, North Dakota**

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

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Sonia Meehl	President
Monica Heimbuch	Vice-President
Rhonda Day	Board Member
Sheila Nagel	Board Member
Robert Thorpe	Board Member
Anna Sell	Superintendent
Shannon Jepson	Business Manager



## INDEPENDENT AUDITOR'S REPORT

School Board  
Oakes Public School District  
Oakes, North Dakota

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oakes 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 modified cash basis financial position for the years then ended in accordance with the modified cash basis of accounting described in Note 1.

#### Basis for Opinions

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

#### Emphasis of Matter – Basis of Accounting

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

## **Responsibilities of Management for the Financial Statements**

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

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.

## **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 budgetary comparison schedule, nonmajor governmental funds – combining balance sheet, nonmajor governmental funds – schedule of revenues, expenditures, and changes in fund balance, schedule of expenditures of federal awards, and notes to schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards*, 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 budgetary comparison schedule, nonmajor governmental funds – combining balance sheet, nonmajor governmental funds – schedule of revenues, expenditures, and changes in fund balance, schedule of expenditures of federal awards, and notes to schedule of expenditures of federal awards 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 March 15, 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  
March 15, 2024

**OAKES PUBLIC SCHOOL DISTRICT**  
**Oakes, North Dakota**

**STATEMENTS OF NET POSITION – MODIFIED CASH BASIS**  
**June 30, 2023 and 2022**

	2023	2022
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 1,583,884	\$ 970,714
Total Current Assets	1,583,884	970,714
Capital Assets		
Non-depreciable		
Construction in Progress	174,119	270,970
Depreciable, net of accumulated depreciation		
Buildings and Improvements	5,833,530	5,815,616
Vehicles	222,461	182,981
Equipment	89,971	100,242
Total Capital Assets	6,320,081	6,369,809
Total Assets	7,903,965	7,340,523
LIABILITIES		
Current Liabilities		
Current Portion of Long-term Debt		
General Obligation Bonds Payable	200,000	200,000
Notes Payable	-	65,530
Total Current Liabilities	200,000	265,530
Due After One Year		
General Obligation Bonds Payable	220,000	420,000
Total Long-term Liabilities	220,000	420,000
Total Liabilities	420,000	685,530
NET POSITION		
Net Investment in Capital Assets	5,900,081	5,684,279
Restricted	398,362	381,278
Unrestricted	1,185,522	589,436
Total Net Position	\$ 7,483,965	\$ 6,654,993

See Notes to Financial Statements

**OAKES PUBLIC SCHOOL DISTRICT**  
**Oakes, North Dakota**

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

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Regular Instruction	\$ 3,515,559	\$ 40,215	\$ 847,298	\$ (2,628,046)
Special Instruction	453,298	-	-	(453,298)
Vocational Instruction	211,120	-	-	(211,120)
Pupil Services	240,222	-	-	(240,222)
General Administration Services	203,354	-	-	(203,354)
School Administration Services	277,485	-	-	(277,485)
Other Support Services	44,394	-	-	(44,394)
Operation and Maintenance	986,575	-	12,285	(974,290)
Pupil Transportation	387,315	-	202,662	(184,653)
Student Activities	477,671	118,821	115,226	(243,624)
School Food Services	387,211	162,522	168,300	(56,389)
Interest and Other Charges	16,751	-	-	(16,751)
	<u>\$ 7,200,955</u>	<u>\$ 321,558</u>	<u>\$ 1,345,771</u>	(5,533,626)
General Revenues				
Taxes				
				1,595,112
				443,901
				4,161,762
				7,982
				153,841
				<u>6,362,598</u>
Change in Net Position				828,972
Net Position, Beginning of Year				<u>6,654,993</u>
Net Position, End of Year				<u>\$ 7,483,965</u>

See Notes to Financial Statements



**OAKES PUBLIC SCHOOL DISTRICT**  
**Oakes, North Dakota**

**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**  
**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	\$ 3,525,296	\$ 55,205	\$ 583,344	\$ (2,886,747)
Special Instruction	383,944	-	-	(383,944)
Vocational Instruction	244,957	-	-	(244,957)
Pupil Services	272,391	-	-	(272,391)
General Administration Services	257,811	-	-	(257,811)
School Administration Services	169,270	-	-	(169,270)
Other Support Services	390	-	-	(390)
Operation and Maintenance	1,253,205	-	60,320	(1,192,885)
Pupil Transportation	461,437	-	212,949	(248,488)
Student Activities	551,038	132,850	169,832	(248,356)
School Food Services	410,551	25,119	365,245	(20,187)
Interest and Other Charges	21,645	-	-	(21,645)
	<u>\$ 7,551,935</u>	<u>\$ 213,174</u>	<u>\$ 1,391,690</u>	(5,947,071)
General Revenues				
Taxes				
				1,423,820
				401,621
				4,019,422
				2,507
				48,942
				<u>5,896,312</u>
				(50,759)
				<u>6,705,752</u>
				<u>\$ 6,654,993</u>

See Notes to Financial Statements

**OAKES PUBLIC SCHOOL DISTRICT**  
**Oakes, North Dakota**

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

	Major Fund		
	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 1,477,849	\$ 106,035	\$ 1,583,884
Due from Other Funds	30,042	-	30,042
Total Assets	1,507,891	106,035	1,613,926
LIABILITIES			
Due to Other Funds	-	30,042	30,042
Total Liabilities	-	30,042	30,042
FUND BALANCE			
Restricted	292,327	106,035	398,362
Unassigned (Deficit)	1,215,564	(30,042)	1,185,522
Fund Balance	1,507,891	75,993	1,583,884
Total Liabilities and Fund Balance	\$ 1,507,891	\$ 106,035	\$ 1,613,926

See Notes to Financial Statements

**OAKES PUBLIC SCHOOL DISTRICT**  
**Oakes, North Dakota**

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

	Major Fund		
	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 855,738	\$ 114,976	\$ 970,714
Due from Other Funds	252,817	-	252,817
Total Assets	1,108,555	114,976	1,223,531
LIABILITIES			
Due to Other Funds	-	252,817	252,817
Total Liabilities	-	252,817	252,817
FUND BALANCE (DEFICIT)			
Restricted	266,302	114,976	381,278
Unassigned (Deficit)	842,253	(252,817)	589,436
Total Fund Balance (Deficit)	1,108,555	(137,841)	970,714
Total Liabilities and Fund Balance (Deficit)	\$ 1,108,555	\$ 114,976	\$ 1,223,531

See Notes to Financial Statements

**OAKES PUBLIC SCHOOL DISTRICT**  
**Oakes, North Dakota**

**RECONCILIATIONS OF THE GOVERNMENTAL FUNDS BALANCE SHEETS  
TO THE STATEMENTS OF NET POSITION – MODIFIED CASH BASIS  
June 30, 2023 and 2022**

Total Fund Balance - Governmental Funds June 30, 2023 \$ 1,583,884

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	10,444,374	
Less Accumulated Depreciation	(4,124,293)	
Net Capital Assets		6,320,081

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.

General Obligation Bonds Payable	(420,000)	
Total Long-term Liabilities		(420,000)

Total Net Position of Governmental Activities June 30, 2023 \$ 7,483,965

Total Fund Balance - Governmental Funds June 30, 2022 \$ 970,714

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	10,179,657	
Less Accumulated Depreciation	(3,809,848)	
Net Capital Assets		6,369,809

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.

General Obligation Bonds Payable	(620,000)	
Notes Payable	(65,530)	
Total Long-term Liabilities		(685,530)

Total Net Position of Governmental Activities June 30, 2022 \$ 6,654,993

See Notes to Financial Statements

**OAKES PUBLIC SCHOOL DISTRICT**  
**Oakes, North Dakota**

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

	Major Fund		
	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Local Sources	\$ 1,805,686	\$ 682,576	\$ 2,488,262
State Sources	4,364,424	1,623	4,366,047
Federal Sources	847,298	166,677	1,013,975
Interest Income	7,982	-	7,982
Miscellaneous Income	49,599	104,062	153,661
Total Revenues	7,074,989	954,938	8,029,927
EXPENDITURES			
Current			
Regular Instruction	3,505,699	-	3,505,699
Special Instruction	453,298	-	453,298
Vocational Instruction	211,120	-	211,120
Pupil Services	246,350	-	246,350
General Administration Services	203,354	-	203,354
School Administration Services	277,485	-	277,485
Other Support Services	44,394	-	44,394
Operation and Maintenance	748,522	51,519	800,041
Pupil Transportation	426,795	-	426,795
Student Activities	437,779	-	437,779
School Food Services	-	386,322	386,322
Debt Service			
Principal	65,530	200,000	265,530
Interest and Other Charges	-	16,751	16,751
Facilities Acquisition and Construction	-	141,839	141,839
Total Expenditures	6,620,326	796,431	7,416,757
Excess of Revenues over Expenditures	454,663	158,507	613,170
OTHER FINANCING SOURCES (USES)			
Operating Transfer In	89,422	144,749	234,171
Operating Transfer Out	(144,749)	(89,422)	(234,171)
Total Other Financing Sources (Uses)	(55,327)	55,327	-
NET CHANGE IN FUND BALANCE	399,336	213,834	613,170
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	1,108,555	(137,841)	970,714
FUND BALANCE, END OF YEAR	\$ 1,507,891	\$ 75,993	\$ 1,583,884

See Notes to Financial Statements

**OAKES PUBLIC SCHOOL DISTRICT**  
**Oakes, North Dakota**

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

	Major Fund		
	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Local Sources	\$ 1,830,399	\$ 487,060	\$ 2,317,459
State Sources	4,291,188	1,737	4,292,925
Federal Sources	500,777	363,508	864,285
Interest Income	2,507	-	2,507
Miscellaneous Income	23,145	855	24,000
Total Revenues	6,648,016	853,160	7,501,176
EXPENDITURES			
Current			
Regular Instruction	3,516,049	-	3,516,049
Special Instruction	383,944	-	383,944
Vocational Instruction	244,957	-	244,957
Pupil Services	272,391	-	272,391
General Administration Services	257,811	-	257,811
School Administration Services	169,270	-	169,270
Other Support Services	390	-	390
Operation and Maintenance	766,314	296,236	1,062,550
Pupil Transportation	387,155	-	387,155
Student Activities	511,146	-	511,146
School Food Services	-	409,662	409,662
Debt Service			
Principal	63,099	200,000	263,099
Interest and Other Charges	-	21,645	21,645
Facilities Acquisition and Construction	-	376,584	376,584
Total Expenditures	6,572,526	1,304,127	7,876,653
Excess (Deficiency) of Revenues over Expenditures	75,490	(450,967)	(375,477)
OTHER FINANCING SOURCES (USES)			
Operating Transfer In	114,976	114,976	229,952
Operating Transfer Out	(114,976)	(114,976)	(229,952)
Total Other Financing Sources (Uses)	-	-	-
NET CHANGE IN FUND BALANCE	75,490	(450,967)	(375,477)
FUND BALANCE, BEGINNING OF YEAR	1,033,065	313,126	1,346,191
FUND BALANCE (DEFICIT), END OF YEAR	\$ 1,108,555	\$ (137,841)	\$ 970,714

See Notes to Financial Statements

**OAKES PUBLIC SCHOOL DISTRICT**  
**Oakes, North Dakota**

**RECONCILIATIONS OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENTS OF ACTIVITIES – MODIFIED CASH BASIS**  
**Years Ended June 30, 2023 and 2022**

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Net Change in Fund Balances - Total Governmental Funds June 30, 2023 \$ 613,170

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. (49,728)

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. 265,530

Change in Net Position of Governmental Activities June 30, 2023 \$ 828,972

Net Change in Fund Balances - Total Governmental Funds June 30, 2022 \$ (375,477)

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 capital outlays exceeded depreciation in the current year. 61,619

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. 263,099

Change in Net Position of Governmental Activities June 30, 2022 \$ (50,759)

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

**A. Reporting Entity**

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

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

The District reports the following major governmental fund:

1. 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.

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

**Governmental Funds**

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



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

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

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

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

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

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/Improvements	20 - 50
Equipment	10
Busses/Vehicles	10

**F. Vacation Pay and Sick Pay**

The District offers sick leave, emergency leave, personal leave, professional leave, jury duty, and sabbatical leave to some or all classes of employees in varying degrees. For certified staff, sick leave can accumulate up to 90 days and will be paid out at \$5 per day for every day of sick leave not used when an employee is leaving the District. For noncertified staff, vacation leave is for full-time employees only.

**G. Long-term Obligations**

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

**H. Fund Balance Classifications**

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

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

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

**I. Net Position**

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

**J. Interfund Transactions**

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

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

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

**NOTE 2 – LEGAL COMPLIANCE – BUDGETS**

Expenditures over Appropriations – General fund expenditures exceed budgeted amounts for the years ended June 30, 2023 and 2022. Expenditures in excess of budgeted amounts were offset by revenues in excess of budgeted amounts.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

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

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

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the State of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board. For the years ended June 30, 2023 and 2022, the District's carrying amounts of deposits were \$1,583,884 and \$970,714. The bank balances were \$2,046,429 and \$1,374,658. Of the bank balances, \$500,000 was covered by Federal Depository Insurance and the remaining bank balances were collateralized with securities held by pledging financial institution's agents in the government's name.

*Credit Risk:*

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

1. 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.
2. 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.
3. Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation.
4. Obligations of the state.

*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.

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

**NOTE 4 – CAPITAL ASSETS**

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

	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023
Governmental Activities				
Capital Assets, not being depreciated				
Construction in Progress	\$ 270,970	\$ 124,899	\$ (221,750)	\$ 174,119
Total Capital Assets, not being depreciated	270,970	124,899	(221,750)	174,119
Capital Assets, being depreciated				
Buildings and Improvements	8,831,207	238,690	-	9,069,897
Vehicles	876,576	116,750	-	993,326
Equipment	200,904	6,128	-	207,032
Total Capital Assets, being depreciated	9,908,687	361,568	-	10,270,255
Less Accumulated Depreciation for				
Buildings and Improvements	3,015,591	220,776	-	3,236,367
Vehicles	693,595	77,270	-	770,865
Equipment	100,662	16,399	-	117,061
Total Accumulated Depreciation	3,809,848	314,445	-	4,124,293
Total Capital Assets Being Depreciated, net	6,098,839	47,123	-	6,145,962
Governmental Activities Capital Assets, net	<u>\$ 6,369,809</u>	<u>\$ 172,022</u>	<u>\$ (221,750)</u>	<u>\$ 6,320,081</u>
	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022
Governmental Activities				
Capital Assets, not being depreciated				
Construction in Progress	\$ 50,886	\$ 270,970	\$ (50,886)	\$ 270,970
Total Capital Assets, not being depreciated	50,886	270,970	(50,886)	270,970
Capital Assets, being depreciated				
Buildings and Improvements	8,674,707	156,500	-	8,831,207
Vehicles	876,576	-	-	876,576
Equipment	200,904	-	-	200,904
Total Capital Assets, being depreciated	9,752,187	156,500	-	9,908,687
Less Accumulated Depreciation for				
Buildings and Improvements	2,790,694	224,897	-	3,015,591
Vehicles	619,313	74,282	-	693,595
Equipment	84,876	15,786	-	100,662
Total Accumulated Depreciation	3,494,883	314,965	-	3,809,848
Total Capital Assets Being Depreciated, net	6,257,304	(158,465)	-	6,098,839
Governmental Activities Capital Assets, net	<u>\$ 6,308,190</u>	<u>\$ 112,505</u>	<u>\$ (50,886)</u>	<u>\$ 6,369,809</u>

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

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

	2023	2022
Governmental Activities		
Regular Instruction	\$ 9,860	\$ 9,247
Operation and Maintenance	186,534	190,655
Pupil Transportation	77,270	74,282
Student Activities	39,892	39,892
School Food Services	889	889
Total Depreciation Expense - Governmental Activities	<u>\$ 314,445</u>	<u>\$ 314,965</u>

**NOTE 5 – LONG-TERM LIABILITIES**

During the years ended June 30, 2023 and 2022, the following changes occurred 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	\$ 620,000	\$ -	\$ (200,000)	\$ 420,000	\$ 200,000
Notes Payable	65,530	-	(65,530)	-	-
Total - Governmental Activities	<u>\$ 685,530</u>	<u>\$ -</u>	<u>\$ (265,530)</u>	<u>\$ 420,000</u>	<u>\$ 200,000</u>

	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	\$ 820,000	\$ -	\$ (200,000)	\$ 620,000	\$ 200,000
Notes Payable	128,629	-	(63,099)	65,530	65,530
Total - Governmental Activities	<u>\$ 948,629</u>	<u>\$ -</u>	<u>\$ (263,099)</u>	<u>\$ 685,530</u>	<u>\$ 265,530</u>

Outstanding debt at June 30, 2023 and 2022 are comprised of the following individual issues:

General Obligation Building Fund Refunding Bonds, Series 2014 – From an original issuance of \$825,000 at an interest rate of .6%-2.20%, \$95,000 remains outstanding. The principal and interest are payable through August 1, 2023.

Limited Tax School Building Fund Bonds, Series 2015 – From an original issuance of \$995,000 at an interest rate of 3%, \$325,000 remains outstanding. The principal and interest are payable through August 1, 2025.

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

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The debt service requirements are as follows:

Bonds Payable			
Year Ending June 30,	Principal	Interest	Payment
2024	\$ 200,000	\$ 8,080	\$ 208,080
2025	110,000	4,373	114,373
2026	110,000	1,485	111,485
Totals	\$ 420,000	\$ 13,938	\$ 433,938

**NOTE 6 – RISK MANAGEMENT**

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The District pays an annual premium to NDIRF for its general liability, auto and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$3,000,000 per occurrence for general liability and auto coverage.

The District also participates in the State Bonding Fund. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

**NOTE 7 – PENSION PLANS**

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

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

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

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

**Pension Benefits**

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

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

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*Tier 1 Grandfathered*

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

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

*Tier 1 Non-Grandfathered*

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

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

*Tier 2*

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

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

**Death and Disability Benefits**

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

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

**Member and Employer Contributions**

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

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

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

At June 30, 2023 and 2022, if the District were to report on the full accrual basis, a liability of \$4,683,487 and \$3,420,885 for its proportionate share of the net pension liability would have been reported. The net pension liability was measured as of June 30, 2022 and 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 Districts share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employees. At June 30, 2023 and 2022 the District’s proportion was .321656% and .324668%. The District’s pension contributions for the years ended June 30, 2023 and 2022 were \$315,060 and \$322,722.

**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.



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

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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:

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2022, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund the benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future-plan members and their beneficiaries, as well as projected contributions from future-plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of July 1, 2022. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2022.

**Pension Plan Fiduciary Net Position**

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

**North Dakota Public Employees Retirement System**

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

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

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

**Pension Benefits**

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

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

**Death and Disability Benefits**

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

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

**Refunds of Member Account Balance**

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

**Member and Employer Contributions**

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and ages. Member contribution rates are 7% and employer contribution rates 7.12% of covered compensation. For members hired after January 1, 2020 member contributes are 7% and employer contribution rats are 8.26% of covered compensation.

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

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

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

At June 30, 2023 and 2022, if the District were to report on the full accrual basis, a liability of \$1,318,466 and \$523,746 for its proportionate share of the net pension liability would have been reported. The net pension liability was measured as of June 30, 2022 and 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation 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 Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2023 and 2022, the District's proportion was .045779% and .050249%. The District’s pension contributions for the years ended June 30, 2023 and 2022 were \$50,043 and \$44,357.

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

**Actuarial Assumptions**

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

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	5.10%, net of investment expenses
Cost-of-living adjustments	None

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	30%	6.00%
International Equity	21%	6.70%
Private Equity	7%	9.50%
Domestic Fixed Income	23%	0.73%
International Fixed Income	0%	0.00%
Global Real Assets	19%	4.77%
Cash Equivalents	0%	0.00%

**Discount Rate**

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

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

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

**Pension Plan Fiduciary Net Position**

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

**NOTE 8 – OTHER POST EMPLOYMENT BENEFITS**

**North Dakota Public Employees Retirement System**

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

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

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

**OPEB Benefits**

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

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

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

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

At June 30, 2023 and 2022, if the District were to report on the accrual basis, a liability of \$46,326 and \$26,090 for its proportionate share of the net OPEB liability would have been reported. The net OPEB liability was measured as of June 30, 2022 and 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2023 and 2022, the District's proportion was .038595% and .046909%. The District's OPEB contributions for the years ended June 30, 2023 and 2022 were \$5,521 and \$5,395.

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

**Actuarial Assumptions**

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

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

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap Domestic Equities	33%	5.85%
Small Cap Domestic Equities	6%	6.75%
Domestic Fixed Income	35%	0.50%
International Equities	26%	6.25%

**Discount Rate**

The discount rate used to measure the total OPEB liability was 5.75%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**NOTE 9 – JOINT VENTURE**

The District participates in the following joint ventures:

**Southeast Region Career and Technology Center**

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

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

**Sheyenne Valley Multi-District Special Education Unit**

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

**NOTE 10 – NONMONETARY TRANSACTIONS**

The District receives food commodities from the federal government to subsidize its food service program. The market value of commodities received for the years ended June 30, 2023 and 2022 was \$31,540 and \$25,429.

**NOTE 11 – CONCENTRATIONS**

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

**NOTE 12 – TRANSFERS**

The following is a list of transfers that occurred during the years ended June 30, 2023 and 2022:

Fund	2023		2022	
	Transfers In	Transfers Out	Transfers In	Transfers Out
General Fund	\$ 89,422	\$ 144,749	\$ 114,976	\$ 114,976
Special Reserve	-	89,422	-	114,976
Capital Projects	89,422	-	114,976	-
Food Service	55,327	-	-	-
Totals	<u>\$ 234,171</u>	<u>\$ 234,171</u>	<u>\$ 229,952</u>	<u>\$ 229,952</u>

Transfers were made from the general fund to the capital projects fund and food service fund to cover deficits in the food service fund and expenditures in the capital projects fund.

**NOTE 13 – FUND BALANCE**

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

	2023	2022
Restricted		
Special Reserve	\$ 89,422	\$ 114,976
Capital Projects	16,613	-
Student Activities	292,327	266,302
Total Restricted	<u>398,362</u>	<u>381,278</u>
Unassigned	<u>1,185,522</u>	<u>589,436</u>
Total Fund Balance	<u>\$ 1,583,884</u>	<u>\$ 970,714</u>

**NOTE 14 – SUBSEQUENT EVENTS**

The District has evaluated subsequent events through March 15, 2024, the date on which the financial statements were available to be issued.

**OAKES PUBLIC SCHOOL DISTRICT**  
**Oakes, North Dakota**

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

	Original and Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
Local Sources	\$ 2,073,331	\$ 1,805,686	\$ (267,645)
State Sources	4,363,725	4,364,424	699
Federal Sources	173,372	847,298	673,926
Interest Income	3,000	7,982	4,982
Miscellaneous Income	23,000	49,599	26,599
Total Revenues	6,636,428	7,074,989	438,561
<b>EXPENDITURES</b>			
Current			
Regular Instruction	3,334,526	3,505,699	(171,173)
Special Instruction	412,181	453,298	(41,117)
Vocational Instruction	277,201	211,120	66,081
Pupil Services	311,688	246,350	65,338
General Administration Services	280,088	203,354	76,734
School Administration Services	190,140	277,485	(87,345)
Other Support Services	42,499	44,394	(1,895)
Operation and Maintenance	731,683	748,522	(16,839)
Pupil Transportation	483,970	426,795	57,175
Student Activities	428,001	437,779	(9,778)
Debt Service			
Principal	65,530	65,530	-
Total Expenditures	6,557,507	6,620,326	(62,819)
Excess of Revenues over Expenditures	78,921	454,663	375,742
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfer In	-	89,422	89,422
Operating Transfer Out	-	(144,749)	(144,749)
Total Other Financing Sources (Uses)	-	(55,327)	(55,327)
<b>NET CHANGE IN FUND BALANCE</b>	78,921	399,336	320,415
<b>FUND BALANCE, BEGINNING OF YEAR</b>		1,108,555	
<b>FUND BALANCE, END OF YEAR</b>		\$ 1,507,891	

**OAKES PUBLIC SCHOOL DISTRICT**  
**Oakes, North Dakota**

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

	Original and Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
Local Sources	\$ 1,952,292	\$ 1,830,399	\$ (121,893)
State Sources	4,234,417	4,291,188	56,771
Federal Sources	184,329	500,777	316,448
Interest Income	10,000	2,507	(7,493)
Miscellaneous Income	23,000	23,145	145
Total Revenues	6,404,038	6,648,016	243,978
<b>EXPENDITURES</b>			
Current			
Regular Instruction	3,221,796	3,516,049	(294,253)
Special Instruction	423,281	383,944	39,337
Vocational Instruction	269,957	244,957	25,000
Pupil Services	309,022	272,391	36,631
General Administration Services	268,228	257,811	10,417
School Administration Services	193,927	169,270	24,657
Other Support Services	41,222	390	40,832
Operation and Maintenance	708,719	766,314	(57,595)
Pupil Transportation	476,935	387,155	89,780
Student Activities	350,206	511,146	(160,940)
Debt Service			
Principal	63,099	63,099	-
Total Expenditures	6,326,392	6,572,526	(246,134)
Excess (Deficiency) of Revenues over Expenditures	77,646	75,490	(2,156)
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfer In	-	114,976	114,976
Operating Transfer Out	(266,873)	(114,976)	151,897
Total Other Financing Sources (Uses)	(266,873)	-	266,873
<b>NET CHANGE IN FUND BALANCE</b>	(189,227)	75,490	264,717
<b>FUND BALANCE, BEGINNING OF YEAR</b>		1,033,065	
<b>FUND BALANCE, END OF YEAR</b>		\$ 1,108,555	



**OAKES PUBLIC SCHOOL DISTRICT**  
**Oakes, North Dakota**

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

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	Special Reserve	Food Service	Capital Projects	Total Other Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 89,422	\$ -	\$ 16,613	\$ 106,035
Total Assets	89,422	-	16,613	106,035
LIABILITIES				
Due to Other Funds	-	30,042	-	30,042
Total Liabilities	-	30,042	-	30,042
FUND BALANCE (DEFICIT)				
Restricted	89,422	-	16,613	106,035
Unassigned (Deficit)	-	(30,042)	-	(30,042)
Total Fund Balance (Deficit)	89,422	(30,042)	16,613	75,993
Total Liabilities and Fund Balance (Deficit)	\$ 89,422	\$ -	\$ 16,613	\$ 106,035

**OAKES PUBLIC SCHOOL DISTRICT**  
**Oakes, North Dakota**

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

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	Special Reserve	Food Service	Capital Projects	Total Other Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 114,976	\$ -	\$ -	\$ 114,976
Total Assets	114,976	-	-	114,976
LIABILITIES				
Due to Other Funds	-	32,151	220,666	252,817
Total Liabilities	-	32,151	220,666	252,817
FUND BALANCE (DEFICIT)				
Restricted	114,976	-	-	114,976
Unassigned (Deficit)	-	(32,151)	(220,666)	(252,817)
Total Fund Balance (Deficit)	114,976	(32,151)	(220,666)	(137,841)
Total Liabilities and Fund Balance (Deficit)	\$ 114,976	\$ -	\$ -	\$ 114,976

**OAKES PUBLIC SCHOOL DISTRICT**  
**Oakes, North Dakota**

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

	Special Reserve	Food Service	Capital Projects	Total Other Governmental Funds
REVENUES				
Local Sources	\$ 63,868	\$ 162,522	\$ 456,186	\$ 682,576
State Sources	-	1,623	-	1,623
Federal Sources	-	166,677	-	166,677
Miscellaneous Income	-	2,282	101,780	104,062
Total Revenues	63,868	333,104	557,966	954,938
EXPENDITURES				
Current				
Operation and Maintenance	-	-	51,519	51,519
School Food Services	-	386,322	-	386,322
Debt Service				
Principal	-	-	200,000	200,000
Interest and Other Charges	-	-	16,751	16,751
Facilities Acquisition and Construction	-	-	141,839	141,839
Total Expenditures	-	386,322	410,109	796,431
Excess (Deficiency) of Revenues over Expenditures	63,868	(53,218)	147,857	158,507
OTHER FINANCING SOURCES (USES)				
Operating Transfer In	-	55,327	89,422	144,749
Operating Transfer Out	(89,422)	-	-	(89,422)
Total Other Financing Sources (Uses)	(89,422)	55,327	89,422	55,327
NET CHANGE IN FUND BALANCE	(25,554)	2,109	237,279	213,834
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	114,976	(32,151)	(220,666)	(137,841)
FUND BALANCE (DEFICIT), END OF YEAR	\$ 89,422	\$ (30,042)	\$ 16,613	\$ 75,993

**OAKES PUBLIC SCHOOL DISTRICT**  
**Oakes, North Dakota**

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

	Special Reserve	Food Service	Capital Projects	Total Other Governmental Funds
REVENUES				
Local Sources	\$ -	\$ 25,119	\$ 461,941	\$ 487,060
State Sources	-	1,737	-	1,737
Federal Sources	-	363,508	-	363,508
Miscellaneous Income	-	855	-	855
Total Revenues	-	391,219	461,941	853,160
EXPENDITURES				
Current				
Operation and Maintenance	-	-	296,236	296,236
School Food Services	-	409,662	-	409,662
Debt Service				
Principal	-	-	200,000	200,000
Interest and Other Charges	-	-	21,645	21,645
Facilities Acquisition and Construction	-	-	376,584	376,584
Total Expenditures	-	409,662	894,465	1,304,127
Excess (Deficiency) of Revenues over Expenditures	-	(18,443)	(432,524)	(450,967)
OTHER FINANCING SOURCES (USES)				
Operating Transfer In	-	-	114,976	114,976
Operating Transfer Out	(114,976)	-	-	(114,976)
Total Other Financing Sources (Uses)	(114,976)	-	114,976	-
NET CHANGE IN FUND BALANCE	(114,976)	(18,443)	(317,548)	(450,967)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	229,952	(13,708)	96,882	313,126
FUND BALANCE (DEFICIT), END OF YEAR	\$ 114,976	\$ (32,151)	\$ (220,666)	\$ (137,841)

**OAKES PUBLIC SCHOOL DISTRICT**  
**Oakes, North Dakota**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2023**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal AL Number	Pass-Through Number	Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through North Dakota Department of Public Instruction			
School Breakfast Program	10.553	F10553	\$ 8,651
National School Lunch Program	10.555	F10555	105,456
National School Lunch Program - Commodities	10.555	F10555	31,540
Fresh Fruit and Vegetable Program	10.582	F10582	19,463
Total Child Nutrition Cluster			165,110
State Administrative Expenses for Children Nutrition	10.560	F10560	1,567
Total U.S. Department of Agriculture			166,677
<b>FEDERAL COMMUNICATIONS COMMISSION</b>			
Universal Service Fund - Schools and Libraries	32.004	N/A	60,684
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through North Dakota Department of Public Instruction			
Title I - Grants to LEA's	84.010	F84010	127,112
Supporting Effective Instruction State Grants	84.367	F84367	36,474
Student Support and Academic Enrichment Grants	84.424	F84424	14,691
Elementary and Secondary School Emergency Relief Fund	84.425D	F84425	61,602
American Rescue Plan Elementary and Secondary School Relief Fund	84.425U	F84425U	540,923
Small, Rural School Achievement Program	84.358A	N/A	5,812
Total U.S. Department of Education			786,614
Total Expenditures of Federal Awards			\$ 1,013,975

**OAKES PUBLIC SCHOOL DISTRICT**  
**Oakes, North Dakota**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2023**

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**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The amounts reported on the schedule have been reconciled to and are in agreement with amounts recorded in the accounting records from which the financial statements have been reported.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the cash basis of accounting. Such expenditures are recognized following the applicable cost principles contained in Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or limited as to reimbursement. The District has not elected to use the 10-percent de minimis cost rate as allowed under the Uniform Guidance.

**NOTE 3 – NONCASH AWARDS**

Federal reimbursement is not based upon specified expenditures. Therefore, the amounts reported here represent cash value received rather than federal expenditures.

**OAKES PUBLIC SCHOOL DISTRICT**  
**Oakes, North Dakota**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2022**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal AL Number	Pass-Through Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through North Dakota Department of Public Instruction			
School Breakfast Program	10.553	F10553	\$ 33,464
National School Lunch Program	10.555	F10555	282,920
National School Lunch Program - Commodities	10.555	F10555	25,428
Fresh Fruit and Vegetable Program	10.582	F10582	19,724
Total Child Nutrition Cluster			361,536
State Administrative Expenses for Children Nutrition	10.560	F10560	1,355
State Pandemic Electronic Benefit Transfer Costs	10.649	F10649	617
Total U.S. Department of Agriculture			363,508
U.S. DEPARTMENT OF EDUCATION			
Passed through North Dakota Department of Public Instruction			
Title I - Grants to LEA's	84.010	F84010	96,908
Supporting Effective Instruction State Grants	84.367	F84367	34,464
Student Support and Academic Enrichment Grants	84.424	F84424	14,212
Elementary and Secondary School Emergency Relief Fund	84.425D	F84425	242,955
American Rescue Plan Elementary and Secondary School Relief Fund	84.425U	F84425U	102,300
Small, Rural School Achievement Program	84.358A	N/A	9,938
Total U.S. Department of Education			500,777
Total Expenditures of Federal Awards			\$ 864,285

**OAKES PUBLIC SCHOOL DISTRICT**  
**Oakes, North Dakota**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2022**

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**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The amounts reported on the schedule have been reconciled to and are in agreement with amounts recorded in the accounting records from which the financial statements have been reported.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the cash basis of accounting. Such expenditures are recognized following the applicable cost principles contained in Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or limited as to reimbursement. The District has not elected to use the 10-percent de minimis cost rate as allowed under the Uniform Guidance.

**NOTE 3 – NONCASH AWARDS**

Federal reimbursement is not based upon specified expenditures. Therefore, the amounts reported here represent cash value received rather than federal expenditures.





**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  
Oakes Public School District  
Oakes, 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 Oakes 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 March 15, 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* require the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of current year findings. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

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



Nadine Julson, LLC  
Wahpeton, North Dakota  
March 15, 2024



**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  
Oakes Public School District  
Oakes, 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 Oakes Public School District ("the District"), as of and for the year ended June 30, 2022, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 15, 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 (2022-001 and 2022-002).

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

## **Purpose of this Report**

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



Nadine Julson, LLC  
Wahpeton, North Dakota  
March 15, 2024



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

School Board  
Oakes Public School District  
Oakes, North Dakota

### **Report on Compliance for the Major Federal Program**

#### **Opinion on the Major Federal Program**

We have audited the Oakes Public School District's ("the District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2023. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

#### **Basis for Opinion on the Major Federal Program**

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

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

#### **Responsibilities of Management for Compliance**

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

## Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

## Report on Internal Control over Compliance

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

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

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

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

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

Nadine Julson, LLC  
Wahpeton, North Dakota  
March 15, 2024



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

School Board  
Oakes Public School District  
Oakes, North Dakota

### **Report on Compliance for Each Major Federal Program**

#### **Opinion on Each Major Federal Program**

We have audited the Oakes Public School District's ("the District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct a material effect on each of its major federal programs for the year ended June 30, 2022.

#### **Basis for Opinion on Each Major Federal Program**

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

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

#### **Responsibilities of Management for Compliance**

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



## Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

## Report on Internal Control over Compliance

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

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

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

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

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

Nadine Julson, LLC  
Wahpeton, North Dakota  
March 15, 2024

**OAKES PUBLIC SCHOOL DISTRICT**  
**Oakes, North Dakota**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year ended June 30, 2023**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of Report Issued: Unmodified

Internal Control Over Financial Reporting

Material weakness identified?	<u>          X          </u>	Yes	<u>                                </u>	No
Significant deficiencies identified not considered to be material weaknesses?	<u>                                </u>	Yes	<u>          X          </u>	None reported
Noncompliance material to financial statements noted?	<u>                                </u>	Yes	<u>          X          </u>	No

**Federal Awards**

Internal Control Over Major Program

Material weakness identified?	<u>                                </u>	Yes	<u>          X          </u>	No
Significant deficiency identified?	<u>                                </u>	Yes	<u>          X          </u>	None reported

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

Any audit finding disclosed that are required to be reported in accordance with 2 CDF 200.516(a)?	<u>                                </u>	Yes	<u>          X          </u>	No
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AL Numbers	Name of Program or Cluster
84.425D	Elementary and Secondary School Emergency Relief Fund
84.425U	American Rescue Plan – Elementary and Secondary School Emergency Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
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Auditee qualified as low-risk auditee?	<u>                                </u>	Yes	<u>          X          </u>	No
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**SECTION II - FINANCIAL STATEMENT FINDINGS**

*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.

**OAKES PUBLIC SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs – Continued**

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**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.

**Cause**

The entity's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

**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.

*2023-002 FINANCIAL STATEMENT PREPARATION*

**Criteria**

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

**Condition**

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

**Effect of Potential Effect**

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

**Recommendation**

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

**OAKES PUBLIC SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs – Continued**

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**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.

**OAKES PUBLIC SCHOOL DISTRICT**  
**Oakes, North Dakota**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year ended June 30, 2022**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of Report Issued: Unmodified

Internal Control Over Financial Reporting

Material weakness identified?	X	Yes			
Significant deficiencies identified not considered to be material weaknesses?		Yes		X	No None reported
Noncompliance material to financial statements noted?		Yes		X	

**Federal Awards**

Internal Control Over Major Program

Material weakness identified?		Yes		X	
Significant deficiency identified?		Yes		X	No None reported

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

Any audit finding disclosed that are required to be reported in accordance with 2 CDF 200.516(a)?		Yes		X	No
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AL Numbers	Name of Program or Cluster
10.553	Child Nutrition Cluster
10.555	School Breakfast Program,
10.582	National School Lunch Program
	Fresh Fruit and Vegetable Program

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee?		Yes		X	No
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**SECTION II - FINANCIAL STATEMENT FINDINGS**

*2022-001 INADEQUATE SEGREGATION OF DUTIES*

**Criteria**

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

**OAKES PUBLIC SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs – Continued**

---

**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.

**Cause**

The entity's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

**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.

*2022-002 FINANCIAL STATEMENT PREPARATION*

**Criteria**

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

**Condition**

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

**Effect of Potential Effect**

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

**Recommendation**

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

**OAKES PUBLIC SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs – Continued**

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**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.



**OAKES PUBLIC SCHOOL DISTRICT**  
**Oakes, North Dakota**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Year ended June 30, 2023**

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**Prior Financial Statement Findings**

*2022-001*

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.

*2022-002*

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 finding 2023-002.

**OAKES PUBLIC SCHOOL DISTRICT**  
**Oakes, North Dakota**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Year ended June 30, 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 2022-001.

*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 finding 2022-002.



# Oakes Public Schools

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804 Main Ave. Oakes, ND 58474  
Phone: (701) 742-3234 Fax: (701) 742-2812  
[www.oakes.k12.nd.us](http://www.oakes.k12.nd.us)

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## **Corrective Action Plan**

**Year Ended June 30, 2023**

### *2023-001 INADEQUATE SEGREGATION OF DUTIES*

Corrective Action Plan – The District will review segregation of duties in accounting functions where possible.

Completion Date – Ongoing.

### *2023-002 FINANCIAL STATEMENT PREPARATION*

Corrective Action Plan – The District will approve internal control policy to document the review of financial statements.

Completion Date – Ongoing.

Superintendent: Anna Sell – [anna.sell@k12.nd.us](mailto:anna.sell@k12.nd.us)  
High School Principal – Jordan Lynch – [jordan.lynch@k12.nd.us](mailto:jordan.lynch@k12.nd.us)  
Elementary Principal – Greg Dobitz – [greg.dobitz@k12.nd.us](mailto:greg.dobitz@k12.nd.us)  
Business Manager – Shannon Jepson – [shannon.jepson@k12.nd.us](mailto:shannon.jepson@k12.nd.us)



# Oakes Public Schools

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804 Main Ave. Oakes, ND 58474  
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[www.oakes.k12.nd.us](http://www.oakes.k12.nd.us)

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## **Corrective Action Plan**

**Year Ended June 30, 2022**

### *2022-001 INADEQUATE SEGREGATION OF DUTIES*

Corrective Action Plan – The District will review segregation of duties in accounting functions where possible.

Completion Date – Ongoing.

### *2022-002 FINANCIAL STATEMENT PREPARATION*

Corrective Action Plan – The District will approve internal control policy to document the review of financial statements.

Completion Date – Ongoing.

Superintendent: Anna Sell – [anna.sell@k12.nd.us](mailto:anna.sell@k12.nd.us)  
High School Principal – Jordan Lynch – [jordan.lynch@k12.nd.us](mailto:jordan.lynch@k12.nd.us)  
Elementary Principal – Greg Dobitz – [greg.dobitz@k12.nd.us](mailto:greg.dobitz@k12.nd.us)  
Business Manager – Shannon Jepson – [shannon.jepson@k12.nd.us](mailto:shannon.jepson@k12.nd.us)