

SARGENT CENTRAL PUBLIC SCHOOL DISTRICT
FORMAN , NORTH DAKOTA

FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

SARGENT CENTRAL PUBLIC SCHOOL DISTRICT

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SARGENT CENTRAL PUBLIC SCHOOL DISTRICT
LIST OF OFFICIALS
JUNE 30, 2023 AND 2022

BOARD OF EDUCATION

OFFICE

Neil Planteen	President
Jayne Pfau	Vice-president
Glen Hill	
Brad Hoistad	
Jenny Christianson	
Brandon Hanson	
Wendy Willprecht	

ADMINISTRATION

Daniel Warcken	Superintendent
Julie Colemer	Business manager

Harold J. Rotunda
Certified Public Accountant
INDEPENDENT AUDITOR'S REPORT

To the Governing Board
Sargent Central Public School
Forman, North Dakota

Opinion

I have audited the accompanying modified cash basis financial statements of the governmental activities and each major fund of the Sargent Central Public School, as of and for the years ended June 30, 2022 and 2023, and the related notes to the financial statements, which collectively comprise the Sargent Central Public School's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each major fund of the Sargent Central Public School as of June 30, 2022 and 2023, and the respective changes in modified cash basis financial position for the year then ended, in accordance with the modified cash basis of accounting as described in Note 1.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Sargent Central Public School and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter-Basis of Accounting

I 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. My opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting, and for 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 City'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

My 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 my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, I:

- Exercise professional judgement 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 Sargent Central Public School'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 in the financial statements.
- Conclude whether, in my judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sargent Central Public School's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Other Matters

Other information

Management is responsible for the other information included in the annual report. The other information comprises the roster of school officials but does not include the basic financial statements and my auditor's report thereon. My opinions on the basic financial statements do not cover the other information, and I do not express an opinion or any form of assurance thereon.

In connection with my audit of the basic financial statements, my 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, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued reports dated October 1, 2023, on my considerations of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Fargo, North Dakota
October 1, 2023

SARGENT CENTRAL PUBLIC SCHOOL
STATEMENT OF NET POSITION- MODIFIED CASH BASIS
JUNE 30, 2023

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and investments	1,737,487.28
Capital assets (net of accumulated depreciation)	5,778,699.93
Total Assets	7,516,187.21
LIABILITIES	
Long-term liabilities:	
Due within one year:	
Bonds payable	250,000.00
Notes payable	
Due after one year:	
Bonds payable	-
Notes payable	
Total liabilities	250,000.00
NET POSITION	
Net investment in capital assets	5,528,699.93
Restricted for:	
Special Reserve	260,722.96
Building	493,345.81
Student Activity	174,557.91
Unrestricted	808,860.60
Total Net Position	7,266,187.21

The accompanying notes are an integral part of these financial statements.

SARGENT CENTRAL PUBLIC SCHOOL
STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2023

		Program Revenues		Net (expense) Revenue & Changes in Net Position
	Expenses	Charges for Services	Operating grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction				
Regular	2,017,044.66		433,627.33	(1,583,417.33)
Special Education	41,323.29		-	(41,323.29)
Vocational Education	84,160.57		20,306.91	(63,853.66)
Support Services				-
Administrative	688,996.74			(688,996.74)
Operation & maintenance	977,689.33			(977,689.33)
Pupil Transportation Services	259,628.17		108,048.14	(151,580.03)
Extracurricular	370,144.53	156,898.61		(213,245.92)
Food Service	204,426.09	-	-	(204,426.09)
Capital outlays	-			-
Debt Service				
Interest expense	27,282.50			(27,282.50)
				-
Total Governmental Activities	4,670,695.88	156,898.61	561,982.38	(3,951,814.89)
General Revenues				
Taxes:				
Property taxes, levied for general purposes				1,720,756.67
Property taxes levied for debt service				308,712.53
Per pupil aid				1,719,927.25
Interest income and other revenue				44,173.61
Total General Revenues				3,793,570.06
Change in Net Position				(158,244.83)
Net Position- July1				7,424,432.05
Net Position- June 30				7,266,187.22

The accompanying notes are an integral part of these financial statements.

SARGENT CENTRAL PUBLIC SCHOOL
BALANCE SHEET-MODIFIED CASH BASIS- GOVERNMENTAL FUNDS
JUNE 30, 2023

	GENERAL	BUILDING	SPECIAL REVENUE	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and investments	894,457.81	493,345.81	349,683.66	1,737,487.28
Total Assets	894,457.81	493,345.81	349,683.66	1,737,487.28
LIABILITIES				
Total liabilities	-	-		-
FUND BALANCE				
Restricted for Student Activity			174,557.91	174,557.91
Restricted for Building		493,345.81		493,345.81
Restricted for Special Reserve		-	260,722.96	260,722.96
Unassigned	894,457.81	-	(85,597.21)	808,860.60
Total fund balance	894,457.81	493,345.81	349,683.66	1,737,487.28

The accompanying notes are an integral part of these financial statements.

SARGENT CENTRAL PUBLIC SCHOOL
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
 SHEET TO THE STATEMENT OF NET POSITION
 JUNE 30, 2023

Total Fund Balances for Governmental Funds	1,737,487.29
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Total net position reported for governmental 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 governmental funds		
Cost of capital assets	14,934,445.14	
Less accumulated depreciation	9,155,745.21	
Net capital assets		5,778,699.93

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. All liabilities- both current and long-term are reported in the statement of net position. Balances at June 30 are:

Bonds payable	(250,000.00)
	-

Total Net Position of Governmental Activities	7,266,187.22
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SARGENT CENTRAL PUBLIC SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-MODIFIED CASH BASIS- GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	GENERAL	BUILDING	SPECIAL REVENUE	TOTAL GOVERNMENTAL FUNDS
Property taxes	1,470,620.26	500,920.99	57,927.95	2,029,469.20
Other local sources	40,790.56	-	158,289.19	199,079.75
State sources	1,850,274.77		-	1,850,274.77
Federal sources	433,627.33		-	433,627.33
Total Revenues	3,795,312.92	500,920.99	216,217.14	- 4,512,451.05
Current:				
Instruction				
Regular	2,443,185.12			2,443,185.12
Special Education	41,323.29			41,323.29
Vocational Education	84,160.57			84,160.57
Support Services				-
Administrative	688,996.74			688,996.74
Operation & maintenance	711,404.34			711,404.34
Pupil Transportation Services	213,548.67			213,548.67
Extracurricular	145,888.41		224,256.12	370,144.53
Food Service	90,978.99	-	113,447.10	204,426.09
Capital outlays				-
Debt service				-
Principal		250,000.00		250,000.00
Interest expense		27,282.50		27,282.50
Total Expenditures	4,419,486.13	277,282.50	337,703.22	- 5,034,471.85
Excess revenues (expenditures)	(624,173.21)	223,638.49	(121,486.08)	- (522,020.80)
Other Financing Sources (Uses):				
Transfers in	300,000.00	-	-	300,000.00
Transfers out	-	(250,000.00)	(50,000.00)	(300,000.00)
Lease proceeds				-
Total other financing sources and uses	300,000.00	(250,000.00)	(50,000.00)	- -
Net change in fund balances	(324,173.21)	(26,361.51)	(171,486.08)	- (522,020.80)
Fund balance- beginning	1,218,631.00	519,707.32	521,169.77	2,259,508.09
Fund balance- ending	894,457.79	493,345.81	349,683.69	- 1,737,487.29

The accompanying notes are an integral part of these financial statements.

SARGENT CENTRAL PUBLIC SCHOOL
RECONCILIATION OF GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Net Change in Fund Balances- Total Governmental Funds (522,020.80)

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.

Current year capital outlay	426,140.46	
Current year depreciation expense	312,364.49	113,775.97

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Bonds Payable	250,000.00
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Change in Net Position of Governmental Activities (158,244.83)

SARGENT CENTRAL PUBLIC SCHOOL
STATEMENT OF NET POSITION- MODIFIED CASH BASIS
JUNE 30, 2022

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and investments	2,259,508.09
Capital assets (net of accumulated depreciation)	5,664,923.96
Total Assets	7,924,432.05
LIABILITIES	
Long-term liabilities:	
Due within one year:	
Bonds payable	250,000.00
Notes payable	
Due after one year:	
Bonds payable	250,000.00
Notes payable	
Total liabilities	500,000.00
NET POSITION	
Net investment in capital assets	5,164,923.96
Restricted for:	
Special Reserve	252,795.01
Building	519,707.32
Student Activity	241,915.42
Food Service	26,459.31
Unrestricted	1,218,631.03
Total Net Position	7,424,432.05

The accompanying notes are an integral part of these financial statements.

SARGENT CENTRAL PUBLIC SCHOOL
STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2022

		Program Revenues		Net (expense) Revenue & Changes in Net Position
	Expenses	Charges for Services	Operating grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction				
Regular	2,181,618.56		442,575.31	(1,739,043.25)
Special Education	163,913.07		-	(163,913.07)
Vocational Education	82,215.79		22,687.93	(59,527.86)
Support Services				-
Administrative	648,017.03			(648,017.03)
Operation & maintenance	680,696.31			(680,696.31)
Pupil Transportation Services	357,619.59		112,082.31	(245,537.28)
Extracurricular	268,244.73	209,255.02		(58,989.71)
Food Service	205,151.53	-	153,959.79	(51,191.74)
Capital outlays	-			-
Debt Service				
Interest expense	40,075.00			(40,075.00)
				-
Total Governmental Activities	4,627,551.61	209,255.02	731,305.34	(3,686,991.25)
General Revenues				
Taxes:				
Property taxes, levied for general purposes				1,622,011.10
Property taxes levied for debt service				298,243.43
Per pupil aid				1,789,781.95
Interest income and other revenue				83,511.09
Total General Revenues				3,793,547.57
Change in Net Position				106,556.32
Net Position- July1				7,317,875.70
Net Position- June 30				7,424,432.02

The accompanying notes are an integral part of these financial statements.

SARGENT CENTRAL PUBLIC SCHOOL
 BALANCE SHEET-MODIFIED CASH BASIS- GOVERNMENTAL FUNDS
 JUNE 30, 2022

	GENERAL	BUILDING	SPECIAL REVENUE	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and investments	1,218,631.03	519,707.32	521,169.74	2,259,508.09
Total Assets	1,218,631.03	519,707.32	521,169.74	2,259,508.09
LIABILITIES				
Total liabilities	-	-		-
FUND BALANCE				
Restricted for Special Reserve			252,795.01	252,795.01
Restricted for Food Service			26,459.31	26,459.31
Restricted for Building		519,707.32		519,707.32
Restricted for Student activity			241,915.42	241,915.42
Unassigned	1,218,631.03	-		1,218,631.03
Total fund balance	1,218,631.03	519,707.32	521,169.74	2,259,508.09

The accompanying notes are an integral part of these financial statements.

SARGENT CENTRAL PUBLIC SCHOOL
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Total Fund Balances for Governmental Funds 2,259,508.09

Total net position reported for governmental 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 governmental funds			
	Cost of capital assets	14,508,304.68	
	Less accumulated depreciation	8,843,380.72	
	Net capital assets		5,664,923.96

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. All liabilities- both current and long-term are reported in the statement of net position. Balances at June 30 are:

Bonds payable	(500,000.00)
	-

Total Net Position of Governmental Activities 7,424,432.05

SARGENT CENTRAL PUBLIC SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-MODIFIED CASH BASIS- GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	GENERAL	BUILDING	SPECIAL REVENUE	TOTAL GOVERNMENTAL FUNDS
Property taxes	1,385,861.40	478,769.65	55,623.48	1,920,254.53
Other local sources	35,544.09	-	209,255.02	244,799.11
State sources	1,972,519.19		-	1,972,519.19
Federal sources	442,575.31		153,959.79	596,535.10
Total Revenues	3,836,499.99	478,769.65	418,838.29	4,734,107.93
Current:				
Instruction				
Regular	2,280,855.78			2,280,855.78
Special Education	163,913.07			163,913.07
Vocational Education	82,215.79			82,215.79
Support Services				
Administrative	648,017.03			648,017.03
Operation & maintenance	433,758.34			433,758.34
Pupil Transportation Services	306,951.32			306,951.32
Extracurricular	133,352.38		134,892.35	268,244.73
Food Service	6,023.64	-	199,127.89	205,151.53
Capital outlays				-
Debt service				
Principal		250,000.00		250,000.00
Interest expense		40,075.00		40,075.00
Total Expenditures	4,055,087.35	290,075.00	334,020.24	4,679,182.59
Excess revenues (expenditures)	(218,587.36)	188,694.65	84,818.05	54,925.34
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Lease proceeds				-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	(218,587.36)	188,694.65	84,818.05	54,925.34
Fund balance- beginning	1,437,218.39	331,012.67	436,351.69	2,204,582.75
Fund balance- ending	1,218,631.03	519,707.32	521,169.74	2,259,508.09

The accompanying notes are an integral part of these financial statements.

SARGENT CENTRAL PUBLIC SCHOOL
RECONCILIATION OF GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

Net Change in Fund Balances- Total Governmental Funds 54,925.34

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.

Current year capital outlay	99,237.25	
Current year depreciation expense	297,606.24	(198,368.99)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Bonds Payable	250,000.00
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Change in Net Position of Governmental Activities 106,556.35

The accompanying notes are an integral part of these financial statements.

SARGENT CENTRAL PUBLIC SCHOOL DISTRICT
FORMAN, NORTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The accompanying financial statements present the activities of 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. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria 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.

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

Government-wide statements: The statement of net assets and the statement of activities display information about the primary government, the 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, and other nonexchange 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 information about the District's funds including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

SARGENT CENTRAL PUBLIC SCHOOL DISTRICT
Notes to Financial Statements- Continued

The District reports the following major governmental funds:

General Fund. The General Fund is the primary operating fund of the District and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Building fund. The Building fund is used to account for building construction and repairs.

Special Revenue funds- These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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

Measurement Focus

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements.

The government-wide statements are prepared using the economic resources measurement focus, within the limitations of the modified cash basis of accounting. All assets and liabilities associated with the operation of the District are included in the statement of net position.

In the fund financial statements, the governmental funds are accounted for by using a flow of current financial resources measurement focus or the economic resources measurement focus, as applied to the modified cash basis of accounting. Under this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources and uses of current financial resources.

The current financial resources measurement focus differ from the manner which the governmental activities of the government-wide financial statements are prepared. Due to the difference, the Districts's financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds.

Basis of Accounting

Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

In the government-wide statement of net position and statement of activities, activities are presented using the modified cash basis of accounting. This basis recognizes assets, liabilities, net position, revenues, and expenditures/expenses when they result from cash transactions with a provision for capital assets, related depreciation, grants receivable for incurred expenses, debt and accrued payroll liabilities in the government-wide statements and grants receivable for incurred expenses and accrued payroll liabilities in the fund financial statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

SARGENT CENTRAL PUBLIC SCHOOL DISTRICT
Notes to Financial Statements- Continued

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.

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

D. Budgets

Based upon available financial information and requests by the school board, the superintendent and business manager prepares the District budget. The budget is prepared for the general fund on the modified cash basis of accounting. The budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year-end.

District taxes must be levied by the governing board on or before the fifteenth day of August. The taxes levied must be certified to the county auditor by August 25. The governing body of the District may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year, but the certification must be filed with the county auditor by October 10. The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.

E. Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

Investments consist of certificates of deposits stated at cost.

F. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical 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 assets 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 of business-type activities is included as part of the capitalized value of the assets constructed.

SARGENT CENTRAL PUBLIC SCHOOL DISTRICT
Notes to Financial Statements- Continued

Property, plant, and equipment of the district is depreciated using the straight line method over the following estimated useful lives:

ASSETS	YEARS
Permanent Buildings	50
Temporary or Wood Structures	20
Vehicles	10
Equipment	10

G. Long-Term Obligations

In the government-wide financial statements, long term debt and other long term obligations are reported as liabilities in the governmental activities statement of net assets. 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. Premiums received on debt issuances are 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

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the school board- the District's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the school board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - This classification reflects the amounts constrained by the District's "intent" to be used for specific purposes, but are neither restricted nor committed. The school board and superintendent have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

SARGENT CENTRAL PUBLIC SCHOOL DISTRICT
Notes to Financial Statements- Continued

Unassigned - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the District's preference is to first use restricted resources, then unrestricted resources-committed, assigned, and unassigned-in order as needed.

The board has not set a General Fund minimum fund balance.

I. Interfund Transactions

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

All other interfund transactions, except reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

In the government-wide financial statements, interfund transactions have been eliminated.

J. Use of estimates

The preparation of financial statements in conformity with the Other comprehensive basis of accounting (OCBOA) used by the District requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The school board did not amend the District budget for 2023 and 2022.

EXPENDITURES OVER APPROPRIATIONS

The school district did not overspend the general fund budget. No remedial action is required by the district.

NOTE 3 DEPOSITS AND INVESTMENTS

In accordance with North Dakota Statutes, the District maintains deposits at the depository banks designated 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 institution 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 deposit not covered by insurance or bonds.

SARGENT CENTRAL PUBLIC SCHOOL DISTRICT
Notes to Financial Statements- Continued

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, and 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, instrumentalities, or by any county, city, township, school district, park district, or other political subdivision of the State of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States, or such other securities approved by the banking board.

At June 30, 2023 and 2022, the District's carrying amount of deposits was \$1,686,215 and \$2,192,699. Of the bank balances, \$250,000 was covered by Federal Depository Insurance. The remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

State statutes authorize the District to invest in: (1) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress. (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 or the state. (4) Obligations of the state.

Concentration of Credit Risk

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

NOTE 4: PROPERTY TAXES

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

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

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

SARGENT CENTRAL PUBLIC SCHOOL DISTRICT
Notes to Financial Statements- Continued

NOTE 5: CAPITAL ASSETS

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

	Balance July 1	Increases	Decreases	Balance June 30
Capital assets, being Depreciated				
Construction in progress				
Buildings and Improvements	13,376,113	426,140		13,802,253
Vehicles & Equipment	1,132,192			1,132,192
Total	14,508,305	426,140		14,934,445
Less accumulated depreciation for:				
Buildings & Imp	8,113,077	240,282		8,353,359
Vehicles & Equipment	730,304	72,082		802,386
Total Accumulated Dep	8,843,381	312,364		9,155,745
Total	5,664,924			5,778,700
Capital Assets, Net	5,664,924			5,778,700

Depreciation Expense was charged to functions/programs of the school district as follows:

Governmental Activities:	
Pupil transportation	46,079
Operations and Maintenance	240,282
General	26,003
Total Dep Exp-Gov Activities	312,364

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

	Balance July 1	Increases	Decreases	Balance June 30
Capital assets, being Depreciated				
Construction in progress				
Buildings and Improvements	13,376,113			13,376,113
Vehicles & Equipment	1,032,955	99,237		1,132,192
Total	14,409,068	99,237		14,508,305
Less accumulated depreciation for:				
Buildings & Imp	7,894,101	218,975		8,113,077
Vehicles & Equipment	651,673	78,631		730,304
Total Accumulated Dep	8,545,774	297,606		8,843,381
Total	5,863,293			5,664,924
Capital Assets, Net	5,863,293			5,664,924

Depreciation Expense was charged to functions/programs of the school district as follows:

Governmental Activities:	
Pupil transportation	50,668
Operations and Maint	218,976
General	27,962
Total Dep Exp-Gov Activities	297,606

SARGENT CENTRAL PUBLIC SCHOOL DISTRICT
Notes to Financial Statements- Continued

NOTE 6: LONG-TERM DEBT

Changes in Long-Term Liabilities - During the year ended June 30, 2023, the following changes occurred in liabilities reported in long-term debt:

	Payable 2022	Increases	Decreases	Payable 2023	Due Within One Year
Bonds Payable	500,000		250,000	250,000	250,000

Changes in Long-Term Liabilities - During the year ended June 30, 2022, the following changes occurred in liabilities reported in long-term debt:

	Payable 2021	Increases	Decreases	Payable 2022	Due Within One Year
Bonds Payable	750,000		250,000	500,000	250,000

Debt payable at June 30, 2023, is comprised of the following individual issues:

School Building Refunding Bonds of 2010 due in annual installments of 250,000, to 255,000 plus interest at 4.45- 4.55%, through May 2024. 250,000

The annual long-term debt service requirements for bonds payable, construction bonds, and lease revenue bonds as of June 30, 2023, are as follows:

Year Ending June 30	Bonds payable Principal	Interest
2024	250,000	13,438

NOTE 7: PENSION PLANS

North Dakota Teachers Fund for Retirement TFFR

The school district contributes to the North Dakota Teachers Fund for retirement (TFFR), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota. TFFR provides for retirement, disability and survivor benefits to plan members and beneficiaries. Benefit and contribution provisions are administered in accordance with chapter 15-39.1 of the North Dakota Century Code. TFFR issues a publicly available financial report that includes financial statements and required supplementary information for TFFR.

Plan members are required to contribute 11.75% of their annual covered salary and the District is required to contribute 12.75% of the teacher's salary. The contributions requirements of plan members and the District are established and may be amended by the State legislature. The District's contributions to TFFR for the fiscal years ended June 30, 2023, 2022 and 2021 were \$411,539, \$424,614, and \$443,333, respectively.

North Dakota Public Employees Retirement System

The District participates in the North Dakota Public Employees Retirement System (PERS) administered by the State of North Dakota. Following is a brief description of the plan:

SARGENT CENTRAL PUBLIC SCHOOL DISTRICT
Notes to Financial Statements- Continued

PERS is a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota. PERS provides for retirement, disability and death benefits to plan members and beneficiaries. If an active employee dies with less than three years of credited service, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than three years of credited service, the surviving spouse will be entitled to a single payment refund, lifetime monthly payments in an amount equal to 50% of the employee's accrued normal retirement benefit, 60 monthly payments equal to the employee's accrued normal retirement benefit calculated as if the employee were age 65 the day before death occurred or monthly payments in an amount equal to the employee's accrued 100% joint and survivor retirement benefit if the member had reached normal retirement age prior to death.

If the surviving spouse dies before the employee's accumulated pension benefits are paid, the balance will be paid to the surviving spouse's designated beneficiary.

Eligible employees, who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits that are equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the employee must meet the criteria established by the Retirement Board for being considered totally disabled.

Employees are entitled to unreduced monthly pension benefits equal to 2% of their final average salary for each year of service beginning when the sum of age and years of credited service equal or exceed 85, or at the normal retirement age (65). The plan permits early retirement at ages 55-64, with three or more years of service.

Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. This state statute requires that 7% of the participants annual covered salary be contributed to the plan by either the employee or by the employer under a "salary reduction" agreement. The District had agreed to pay 100% of the member assessments in lieu of a salary increase. The District is required to contribute 7.12% of each participant's salary as the employer's share. The District is required to contribute 1.14% of each participating covered wage to a prefunded retiree health insurance program. The required contributions are determined using an entry age normal actuarial funding method and are included in state statute. The North Dakota Retirement Board was created by the State Legislature and is the governing authority of PERS.

The District's contributions to PERS for the fiscal years ending June 30, 2023, 2022, and 2021 were \$25,890, \$22,922, and \$21,035, respectively, equal to the required contributions for the year.

PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS.

SARGENT CENTRAL PUBLIC SCHOOL DISTRICT
Notes to Financial Statements- Continued

NOTE 8. DEFICIT FUND BALANCE

The following fund balances had deficits at June 30, 2023:

Food service 85,597 Will be eliminated with grants/transfers.

NOTE 9: TRANSFERS

The District transferred \$50,000 from the Special Reserve Fund to the General Fund to cover operating costs. The Building Fund transferred \$250,000 to the General Fund to reimburse the fund for allowable expenses incurred.

The District made no transfers in 2022.

NOTE 10: 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 school district pays an annual premium to NDIRF for its general liability and automobile insurance coverage. The coverage by NDIRF is limited to losses of one million dollars per occurrence.

The State Bonding Fund currently provides the District with blanket fidelity bond coverage for its employees. The State Bonding fund does not currently charge any premium for this coverage. The district has workers compensation with the Workforce, Safety and Insurance and purchases commercial insurance for personal property, building, inland marine, and boiler and machinery.

SARGENT CENTRAL PUBLIC SCHOOL DISTRICT

REPORTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

JUNE 30, 2022 AND 2023

SARGENT CENTRAL PUBLIC SCHOOL DISTRICT
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Harold J. Rotunda

Certified Public Accountant

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*

Independent Auditor's Report

School Board
Sargent Central Public School District
Forman, North Dakota

I have audited, in accordance with the 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 and each major fund of Sargent Central Public School District as of and for the year ended June 30, 2022 and 2023, and the related notes to the financial statements, which collectively comprise basic financial statements, and have issued my report thereon dated October 1, 2023.

Internal Control Over Financial Reporting

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

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

My 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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that I consider to be a significant deficiency (2023-1 and 2023-2).

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sargent Central Public School District's financial statements are free of material misstatement, I 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 those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in my audit and described in the accompanying schedule of findings and responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harold Rotunda, CPA
October 1, 2023

SARGENT CENTRAL PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2023

2023-001 Segregation of Duties

Criteria

An appropriate system of internal controls maintains proper segregation of duties to provide reasonable assurance that transactions are handled properly.

Condition

The District has one employee who is responsible for most accounting functions. The business manager collects monies, issues checks, sends checks to vendors, records receipts and disbursements in journals, maintains the general ledger, and prepares financial reports.

Cause

There is one employee for multiple functions such as executing and recording transactions.

Effect

Lack of segregation of duties leads to a limited degree of internal control.

Recommendation

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

View of Responsible Officials and Planned Corrective Actions

Some procedures to promote segregation of duties have been implemented. Funds are counted by other individuals prior to be given to the Business Manager to receipt and deposit at the financial institution. The Superintendent reviews bills before payments are made. The Board reviews and approves all checks written. The District will segregate other duties when feasible.

SARGENT CENTRAL PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2023

2023-002 Financial Statement Preparation

Criteria

An appropriate system of internal controls requires that a District make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with the modified cash basis of accounting. This requires the District's personnel to maintain a working knowledge of current modified cash basis of accounting required financial statement disclosures.

Condition

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

Cause

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

Effect

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

Recommendation

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

View of Responsible Officials and Planned Corrective Actions

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