

**FINLEY-SHARON PUBLIC
SCHOOL DISTRICT #19**

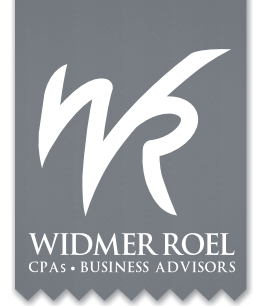
**FINANCIAL STATEMENTS
JUNE 30, 2024**

WITH INDEPENDENT AUDITOR'S REPORT

FINLEY-SHARON PUBLIC SCHOOL DISTRICT #19

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FOR THE YEAR ENDED JUNE 30, 2024**

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INDEPENDENT AUDITOR'S REPORT

School Board and Administration
Finley-Sharon Public School District #19
Finley, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Finley-Sharon Public School District #19** ("District") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the 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 **Finley-Sharon Public School District #19**, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), 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 **Finley-Sharon Public School District #19**, 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.

Responsibilities of Management for the Financial Statements

Finley-Sharon Public School District #19's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Finley-Sharon Public School District #19'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 GAS 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 GAS, 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 **Finley-Sharon Public School District #19'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 **Finley-Sharon Public School District #19's** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Employer's Share of Net Pension Liability, Schedule of Employer Contributions ND Teachers' Fund for Retirement, Budgetary Comparison Schedule - General Fund, Budgetary Comparison Schedule - Special Reserve Fund and Notes to the Required Supplementary Information, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2025, on our consideration of the **Finley-Sharon Public School District #19's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 **Finley-Sharon Public School District #19's** internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "William Rouse". The signature is fluid and cursive, with a large initial "W" and a stylized "R".

Fargo, North Dakota
March 13, 2025

FINLEY-SHARON PUBLIC SCHOOL DISTRICT #19**STATEMENT OF NET POSITION****JUNE 30, 2024**

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 2,094,979
Taxes receivable	78,715
Right-of-use lease asset	7,564
Capital assets, net of accumulated depreciation	
Buildings	767,539
Vehicles	21,677
Equipment	192,328
Total capital asset, net of accumulated depreciation	<u>981,544</u>
Total assets	3,162,802
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows of resources	<u>320,474</u>
Total assets and deferred outflows of resources	\$ <u><u>3,483,276</u></u>
LIABILITIES	
Interest payable	\$ 111
Accrued expenses	36,992
Current portion of long term debt	15,775
Long-term liabilities	
Long term debt, net of current portion	31,620
Compensated absences	18,212
Net pension liability	<u>1,851,249</u>
Total liabilities	<u>1,953,959</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related deferred inflows of resources	<u>358,042</u>
NET POSITION	
Net investment in capital assets	934,149
Restricted	
Building	843,859
Unrestricted	<u>(606,733)</u>
Total net position	<u>1,171,275</u>
Total liabilities, deferred inflows of resources and net position	\$ <u><u>3,483,276</u></u>

FINLEY-SHARON PUBLIC SCHOOL DISTRICT #19

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

		<u>Program Revenues</u>		<u>Net Revenue (Expense) and Change in Net Position Total</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
GOVERNMENTAL ACTIVITIES				
Regular instruction	\$ 1,606,511	\$ -	\$ 875	\$ (1,605,636)
Federal programs	-	-	51,730	51,730
Vocational education	1,875	-	13,370	11,495
School board	130,263	-	-	(130,263)
Executive administration	90,469	-	-	(90,469)
Support services - business	302,116	-	-	(302,116)
Operation and maintenance	283,858	-	-	(283,858)
Student activities	77,453	-	55,439	(22,014)
Student transportation	132,295	-	47,586	(84,709)
Food service	146,349	33,801	53,641	(58,907)
Community service	<u>8,848</u>	<u>-</u>	<u>-</u>	<u>(8,848)</u>
Total governmental activities	\$ <u><u>2,780,037</u></u>	\$ <u><u>33,801</u></u>	\$ <u><u>222,641</u></u>	<u><u>(2,523,595)</u></u>

GENERAL REVENUES

Property taxes	1,233,985
State aid not restricted	1,249,324
Federal aid not restricted	33,813
Investment income	52,399
Miscellaneous revenues	<u>34,067</u>
Total general revenues	<u><u>2,603,588</u></u>
Change in net position	79,993
Net position - July 1	<u>1,091,282</u>
Net position - June 30	\$ <u><u>1,171,275</u></u>

FINLEY-SHARON PUBLIC SCHOOL DISTRICT #19

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2024

	<u>General Fund</u>	<u>Building Fund</u>	<u>Special Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Government Funds</u>
ASSETS					
Cash and investments	\$ 1,044,557	\$ 843,859	\$ 132,485	\$ 74,078	\$ 2,094,979
Taxes receivable	<u>67,943</u>	<u>8,286</u>	<u>2,486</u>	<u>-</u>	<u>78,715</u>
Total assets	<u>\$ 1,112,500</u>	<u>\$ 852,145</u>	<u>\$ 134,971</u>	<u>\$ 74,078</u>	<u>\$ 2,173,694</u>
LIABILITIES					
Accrued expenses	<u>\$ 36,992</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,992</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred tax revenue	<u>67,943</u>	<u>8,286</u>	<u>2,486</u>	<u>-</u>	<u>78,715</u>
Total liabilities and deferred inflows of resources	<u>104,935</u>	<u>8,286</u>	<u>2,486</u>	<u>-</u>	<u>115,707</u>
FUND BALANCES					
Restricted					
Building	-	843,859	-	-	843,859
Special reserve	-	-	132,485	-	132,485
Assigned					
Food service	-	-	-	32,595	32,595
Student activities	-	-	-	41,483	41,483
Unassigned	<u>1,007,565</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,007,565</u>
Total fund balances	<u>1,007,565</u>	<u>843,859</u>	<u>132,485</u>	<u>74,078</u>	<u>2,057,987</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,112,500</u>	<u>\$ 852,145</u>	<u>\$ 134,971</u>	<u>\$ 74,078</u>	<u>\$ 2,173,694</u>

FINLEY-SHARON PUBLIC SCHOOL DISTRICT #19
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024

Total fund balances for governmental funds	\$ 2,057,987
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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 current financial resources and are not reported in the governmental funds.

Cost of capital assets	3,141,354
Less accumulated depreciation	<u>(2,159,810)</u>

Net capital assets	981,544
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Right-of-use assets used in governmental activities are not current financial resources and are not reported in the governmental funds.	7,564
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Property tax receivables will be collected after year-end, but are not available to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds.	78,715
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Net pension obligations are not due and payable in the current period, and therefore are not reported in the governmental funds.	(1,851,249)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

Total deferred outflows of resources	320,474
Total deferred inflows of resources	<u>(358,042)</u>

Total deferred inflows/outflows of resources	(37,568)
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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.

Long-term debt	(47,395)
Compensated absences	(18,212)
Interest payable	<u>(111)</u>

Total long-term liabilities	<u>(65,718)</u>
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Total net position of governmental activities	\$ <u><u>1,171,275</u></u>
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FINLEY-SHARON PUBLIC SCHOOL DISTRICT #19

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024**

	General Fund	Building Fund	Special Reserve Fund	Other Governmental Funds	Total Government Funds
REVENUES					
Property taxes	\$ 1,053,140	\$ 126,262	\$ 37,695	\$ -	\$ 1,217,097
Local sources	31,956	-	-	-	31,956
Fees and charges	-	-	-	33,801	33,801
Intergovernmental					
State sources	1,310,280	-	-	-	1,310,280
Federal sources	83,043	-	-	53,641	136,684
Investment income	30,015	20,119	2,265	-	52,399
Community service	2,110	-	-	-	2,110
Student activities	-	-	-	55,439	55,439
Miscellaneous	-	2,500	-	876	3,376
	<u>2,510,544</u>	<u>148,881</u>	<u>39,960</u>	<u>143,757</u>	<u>2,843,142</u>
Total revenues					
EXPENDITURES					
Current					
Regular instruction	1,509,704	-	-	-	1,509,704
Federal programs	58,166	-	-	-	58,166
Vocational education	1,890	-	-	-	1,890
School board	131,012	-	-	-	131,012
Executive administration	92,489	-	-	-	92,489
Support services - business	305,754	-	-	-	305,754
Operation and maintenance	175,911	-	-	-	175,911
Student activities	10,428	-	-	59,046	69,474
Student transportation	125,142	-	-	-	125,142
Food service	66,828	-	-	77,289	144,117
Community service	8,966	-	-	-	8,966
Capital outlay	12,746	95,688	-	-	108,434
Debt service					
Principal and interest	15,631	-	-	-	15,631
	<u>2,514,667</u>	<u>95,688</u>	<u>-</u>	<u>136,335</u>	<u>2,746,690</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	<u>(4,123)</u>	<u>53,193</u>	<u>39,960</u>	<u>7,422</u>	<u>96,452</u>
OTHER FINANCING SOURCES (USES), INCLUDING TRANSFERS					
Transfers in	45,000	-	-	-	45,000
Transfers out	-	-	(45,000)	-	(45,000)
	<u>45,000</u>	<u>-</u>	<u>(45,000)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)					
Net change in fund balances	40,877	53,193	(5,040)	7,422	96,452
Fund balances - July 1	<u>966,688</u>	<u>790,666</u>	<u>137,525</u>	<u>66,656</u>	<u>1,961,535</u>
Fund balances - June 30	\$ <u><u>1,007,565</u></u>	\$ <u><u>843,859</u></u>	\$ <u><u>132,485</u></u>	\$ <u><u>74,078</u></u>	\$ <u><u>2,057,987</u></u>

FINLEY-SHARON PUBLIC SCHOOL DISTRICT #19

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2024

Net change in fund balances - total governmental funds \$ 96,452

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

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

Depreciation expense (89,735)

Governmental funds report lease payments as expenditures. However in the statement of activities, the cost of the asset is allocated over its estimated useful life and reported as amortization expense. This is the amount by which amortization exceeded the right-of-use asset in the current year.

Amortization expense (15,128)

Some revenues reported in the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures.

Net change in taxes receivable 16,889

The net pension liability, and related deferred outflows and inflows of resources are reported in the government wide statements; however, activity related to the pension items do not involve financial resources, and are not reported in the funds.

Net change in net pension liability	338,698
Net change in deferred outflows of resources	(69,943)
Net change in deferred inflows of resources	<u>(242,132)</u>

Net change in deferred inflows/outflows of resources 26,623

Certain liabilities, such as leases payable and compensated absences, are not due and payable in the current period, and therefore are not reported in the funds

Net change in long-term debt	15,631
Net change in compensated absence payable	11,418
Net change in interest payable	(35)
Net change in lease liability	<u>17,878</u>

Net change in long-term liabilities 44,892

Change in net position of governmental activities \$ 79,993

FINLEY-SHARON PUBLIC SCHOOL DISTRICT #19

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The financial statements of the Finley-Sharon Public School District #19 ("District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Government Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Financial Reporting Entity

The accompanying financial statements present the activities of the Finley-Sharon Public School District #19. 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 are such that exclusion would cause the District's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. Their criteria include appointing a voting majority of an organization's governing board 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 imposed financial burdens on the District.

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

Basis of Presentation

Government-Wide Financial Statements: The statement of net position and the statement of activities report information on all of the non-fiduciary activities of the primary government of the District. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function to segment. Program revenues include (1) fees and charges paid by the recipient of goods or services offered by the program and (2) grant and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including all taxes, are reported instead as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregate and reported as non-major funds.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Building Fund: This fund accounts for financial resources dedicated to the construction of new school buildings, additions to old school buildings, the making of major repairs to existing buildings, or to make annual debt service payments on outstanding debt issues related to the building fund.

FINLEY-SHARON PUBLIC SCHOOL DISTRICT #19

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

Special Reserve Fund: This fund accounts for a special mill levy reserved to supplement the budget when revenues are insufficient to meet the requirements of said budget.

Measurement Focus and Basis of Accounting

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

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

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

Cash and Investments

Cash and cash investments include amounts in demand deposits and certificates of deposit, stated at cost. The certificate of deposits may be used at maturity or cashed out without penalty at any time.

Capital Assets

Capital assets include property, plant, 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 their acquisition value at the time of acquisition. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets life 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:

Buildings	70 years
Vehicles	6 to 10 years
Equipment	5 to 30 years

(Continued)

FINLEY-SHARON PUBLIC SCHOOL DISTRICT #19

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

Right of Use Asset – Lease

Right-of-use assets are recorded at their present value on the date of commencement of the lease agreement. Right-of-use assets are amortized straight-line over the life of the asset. Furthermore, right-of-use assets are measured using an incremental borrowing rate at the date of implementation or at the date which GASB 87 is being adopted.

Lease Liability

Lease liabilities are reduced as payments are made on the lease. An outflow of resources and lease expense is recorded for interest on the liabilities.

Compensated Absences

Unused vacation is reported in the government-wide statement of net position. Compensation for unused vacation will be paid out at the employee's daily pay rate. Compensated absences represent the liability of the District for these employee benefits.

Pensions

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and not be recognized as an inflow of resources (revenues) until that time.

Fund Financial Statements

Government fund equity is classified as fund balance and may distinguish between "Restricted" and "Unrestricted" components. Fiduciary fund equity is reported as net position held in trust for other purposes.

FINLEY-SHARON PUBLIC SCHOOL DISTRICT #19

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

Fund Balance and Classification Policies and Procedures

Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, the governmental funds report fund classification that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds are spent. Fund balances are classified as follows:

Nonspendable – Fund balances that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted – Restricted fund balances are those for which constraints are placed on the use of fund balances which are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of the governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – Committed fund balances can only be used for specific purposes pursuant to constraints imposed by a board motion of the government’s highest level of decision-making authority, the governing board. A board motion is required to rescind a fund balance commitment.

Assigned – Assigned fund balances are amounts that are constrained by the District’s intent to be used for a specific purpose but are under the direction of the board and the District’s management.

Unassigned – Unassigned fund balances are those that have not been reported in any other classification. The general fund is the only fund that can report a positive unassigned fund balance.

As of June 30, 2024, the District reported restricted, committed, assigned and unassigned fund balances.

Net Position – Net position represents the difference between assets and liabilities. Net positions are classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

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 expenditure in the fund that is reimbursed. All other interfund transactions, except reimbursements, are reported as transfers. In the government-wide financial statements, interfund transactions have been eliminated.

FINLEY-SHARON PUBLIC SCHOOL DISTRICT #19

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

Use of Estimates

The preparation of financial statements in conformity of accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

NOTE 2 – DEPOSITS – CASH 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 another 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 of 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, 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 entity and bonds issued by any other state of the United States or such other securities approved by the banking board.

At year ended June 30, 2024, the District's carrying amount of deposits was \$2,094,979 and the bank balances were \$2,157,196. Of the bank balance, \$480,793 was covered by Federal Depository Insurance. The remaining balance of \$1,676,403 was collateralized with securities held by the pledging financial institution's agent in the District's name.

Interest Rate Risk

The District does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from changing interest rates. All investments are certificates of deposit that mature within one year.

Credit Risk

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

- (a) 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.
- (b) 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.
- (c) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation.
- (d) Obligations of the state.

At June 30, 2024 the District held certificates of deposit in the amount of \$959,854 which are all considered deposits.

FINLEY-SHARON PUBLIC SCHOOL DISTRICT #19

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

Concentration of Credit Risk

The District does not have a policy limiting the amount the District may invest in any one issuer.

NOTE 3 – TAXES RECEIVABLE

Taxes receivable represents the past three years of uncollected current and delinquent taxes. Management believes all delinquent taxes will be collected; therefore, no allowance has been established for uncollectible taxes receivable.

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing 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 5.0% discount 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.

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

NOTE 4 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2024:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Capital assets				
Buildings	\$ 2,025,784	\$ -	\$ -	\$ 2,025,784
Vehicles	502,690	-	-	502,690
Equipment	612,880	-	-	612,880
	<u>3,141,354</u>	<u>-</u>	<u>-</u>	<u>3,141,354</u>
Accumulated depreciation				
Buildings	1,217,510	40,735	-	1,258,245
Vehicles	473,446	7,567	-	481,013
Equipment	379,119	41,433	-	420,552
	<u>2,070,075</u>	<u>89,735</u>	<u>-</u>	<u>2,159,810</u>
Capital assets, net	\$ <u>1,071,279</u>	\$ <u>(89,735)</u>	\$ <u>-</u>	\$ <u>981,544</u>

FINLEY-SHARON PUBLIC SCHOOL DISTRICT #19

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

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

Regular instruction	\$ 69,843
Support services - business	1,643
Student activities	8,217
Transportation	7,567
Food service	<u>2,465</u>
	\$ <u><u>89,735</u></u>

NOTE 5 – LONG-TERM LIABILITIES

During the year ended June 30, 2024, the following changes occurred in liabilities reported in the long-term liabilities – Governmental Activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-term debt	\$ 63,026	\$ -	\$ 15,631	\$ 47,395	\$ 15,775
Lease liability	17,878	-	17,878	-	-
Compensated absences	29,630	1,545	-	31,175	-
Net pension liability	<u>2,189,947</u>	<u>-</u>	<u>338,698</u>	<u>1,851,249</u>	<u>-</u>
Total	\$ <u><u>2,300,481</u></u>	\$ <u><u>1,545</u></u>	\$ <u><u>372,207</u></u>	\$ <u><u>1,929,819</u></u>	\$ <u><u>15,775</u></u>

Outstanding debt at June 30, 2024 consists of the following:

\$94,734 general debt agreement, dated March 31, 2021 due in annual installments of \$16,219 on January 10, 2021 through 2026 with imputed interest at 0.92%	\$ <u><u>47,395</u></u>
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The following represent the required payments on the long-term debt:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 15,775	\$ 444	\$ 16,219
2026	<u>31,620</u>	<u>299</u>	<u>31,919</u>
	\$ <u><u>47,395</u></u>	\$ <u><u>743</u></u>	\$ <u><u>48,138</u></u>

NOTE 6 – LEASE

The District entered into a five-year lease beginning on December 12, 2019, and maturing December 12, 2024. The quarterly lease payment under the lease is \$4,518.

FINLEY-SHARON PUBLIC SCHOOL DISTRICT #19

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

The following shows the changes in the lease asset and the related changes in the accumulated amortization recognized in the reporting period ending June 30, 2024:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Lease asset, being amortized				
Copier machine	\$ 52,948	\$ -	\$ -	\$ 52,948
Less accumulated amortization				
Copier machine	<u>30,256</u>	<u>15,128</u>	<u>-</u>	<u>45,384</u>
Total lease assets	\$ <u>22,692</u>	\$ <u>(15,128)</u>	\$ <u>-</u>	\$ <u>7,564</u>

The amount of outflows of resources recognized in the reporting period ending June 30, 2024:

Lease expense	
Amortization expense by class of underlying asset	
Copier machine	\$ 15,128
Interest on lease liabilities	<u>117</u>
Total lease expense	\$ <u>15,245</u>

NOTE 7 – INTERFUND TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended June 30, 2024:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General fund	\$ 45,000	\$ -
Special reserve fund	<u>-</u>	<u>45,000</u>
Total	\$ <u>45,000</u>	\$ <u>45,000</u>

Transfers are used to move unresisted general revenue to finance programs that the District accounts for in other funds in accordance with budget authority and to subsidize other programs.

FINLEY-SHARON PUBLIC SCHOOL DISTRICT #19

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

NOTE 8 – PENSION PLANS

North Dakota Teacher's Fund for Retirement

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

A Tier 1 grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65 or the sum of age and years of service credit equals or exceeds 85. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 6.0% 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 2.0% 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 8.0% 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.

FINLEY-SHARON PUBLIC SCHOOL DISTRICT #19

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

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 2.0% 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 8.0% 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 2.0% 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 6.0% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70½. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

FINLEY-SHARON PUBLIC SCHOOL DISTRICT #19

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

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

At June 30, 2024, the District reported a liability of \$1,851,249 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2023, 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 pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2023, the District's proportion was 0.13192000%, which was an increase of 0.03962200 from its proportion measured as of July 1, 2022.

For the year ended June 30, 2024, the District recognized pension expense of \$120,854. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,898	\$ 98,264
Changes of assumptions	112,989	-
Net difference between projected and actual earnings on pension plan investments	29,294	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	23,817	259,778
District contributions subsequent to the measurement date	<u>147,476</u>	<u>-</u>
	\$ <u><u>320,474</u></u>	\$ <u><u>358,042</u></u>

\$147,476 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

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

2024	\$ (26,306)
2025	(54,704)
2026	69,849
2027	(45,175)
2028	(45,006)
Thereafter	(83,702)

FINLEY-SHARON PUBLIC SCHOOL DISTRICT #19

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

Actuarial Assumptions

The total pension liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	Composed of 3.80% wage inflations, plus step rate promotional increases for members with less than 30 years of service
Investment rate of return	7.25%, net of investment expenses, including inflation
Cost-of-living adjustments	None

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

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, 2023, funding actuarial valuation for TFFR.

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

The long-term expected rate of return on TFFR investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the TFFR's target asset allocation as of June 30, 2023, is summarized in the following table:

	Target Allocation	Long-term Expected Real Rate of Return
Global equities	55.00%	6.20%
Global fixed income	26.00%	3.00%
Global real estate	18.00%	4.40%
Cash equivalents	1.00%	0.90%

(Continued)

FINLEY-SHARON PUBLIC SCHOOL DISTRICT #19

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

Discount Rate

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2023. 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, 2023, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of July 1, 2023. 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, 2023.

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

The following presents the net pension liability of the TFFR Districts calculated using the discount rate of 7.25% as of June 30, 2023, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of net pension liability	\$ <u>2,577,460</u>	\$ <u>1,851,249</u>	\$ <u>1,248,614</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report. TFFR's Comprehensive Annual Financial Report (CAFR) is located at:

<https://www.rio.nd.gov/sites/www/files/documents/PDFs/RIO/Reports/annualreport2023.pdf>

Defined Contribution Plan

In addition, the District has a 403(b) plan which covers all District employees. The District matches employee contributions up to 3.0% of employees' eligible compensation. Employer contributions were \$3,660 for the year ended June 30, 2024.

NOTE 9 – RELATED PARTIES

The District has a banking relationship with a financial institution in which one Board member of the District is an employee of the financial institution. The banking relationship consists of checking account, certificate of deposit, and debt facility.

Total deposits held with this institution at June 30, 2024 were approximately \$1,926,403.

FINLEY-SHARON PUBLIC SCHOOL DISTRICT #19

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 1986, the state and other political subdivisions 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 insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$131,515 for public assets.

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of two million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the District with blanket fidelity bond coverage in the amount of \$1,175,389 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The District has worker's compensation with the Department of Workforce Safety and Insurance; and purchases commercial insurance for employee health and accident insurance.

**FINLEY-SHARON PUBLIC
SCHOOL DISTRICT #19**

**REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2024**

FINLEY-SHARON PUBLIC SCHOOL DISTRICT #19
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
REVENUES				
Property taxes	\$ 1,067,508	\$ 1,067,508	\$ 1,053,140	\$ (14,368)
Local sources	20,000	65,000	31,956	(33,044)
Fees and charges	-	-	-	-
Intergovernmental	1,454,096	1,454,096	1,393,323	(60,773)
Investment income	-	-	30,015	30,015
Community service	-	-	2,110	2,110
Total revenues	<u>2,541,604</u>	<u>2,586,604</u>	<u>2,510,544</u>	<u>(76,060)</u>
EXPENDITURES				
Current				
Regular instruction	1,503,868	1,503,868	1,509,704	5,836
Federal programs	74,476	73,504	58,166	(15,338)
Vocational education	1,900	1,900	1,890	(10)
School board	127,800	127,800	131,012	3,212
Executive administration	90,579	90,579	92,489	1,910
Support services - business	311,935	311,935	305,754	(6,181)
Operation and maintenance	176,628	176,628	175,911	(717)
Student activities	19,800	19,800	10,428	(9,372)
Student transportation	106,350	106,350	125,142	18,792
Food service	64,587	64,587	66,828	2,241
Community service	6,535	6,535	8,966	2,431
Capital outlay	14,000	14,000	12,746	(1,254)
Debt service				
Principal and interest	-	-	15,631	15,631
Total expenditures	<u>2,498,458</u>	<u>2,497,486</u>	<u>2,514,667</u>	<u>17,181</u>
Excess (deficiency) of revenues over expenditures	<u>43,146</u>	<u>89,118</u>	<u>(4,123)</u>	<u>(93,241)</u>
OTHER FINANCING SOURCES				
Transfers in	-	-	45,000	45,000
Net change in fund balance	<u>43,146</u>	<u>89,118</u>	<u>40,877</u>	<u>(48,241)</u>
Fund balance - July 1	<u>966,688</u>	<u>966,688</u>	<u>966,688</u>	-
Fund balance - June 30	<u>\$ 1,009,834</u>	<u>\$ 1,055,806</u>	<u>\$ 1,007,565</u>	<u>\$ (48,241)</u>

FINLEY-SHARON PUBLIC SCHOOL DISTRICT #19
BUDGETARY COMPARISON SCHEDULE – SPECIAL RESERVE FUND
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
REVENUES				
Property taxes	\$ 39,055	\$ 39,055	\$ 37,695	\$ (1,360)
Investment income	<u>-</u>	<u>-</u>	<u>2,265</u>	<u>2,265</u>
Total revenues	<u>39,055</u>	<u>39,055</u>	<u>39,960</u>	<u>905</u>
OTHER FINANCING SOURCES				
Transfers out	<u>-</u>	<u>(45,000)</u>	<u>(45,000)</u>	<u>-</u>
Net change in fund balance	<u>39,055</u>	<u>(5,945)</u>	<u>(5,040)</u>	<u>905</u>
Fund balance - July 1	<u>137,525</u>	<u>137,525</u>	<u>137,525</u>	<u>-</u>
Fund balance - June 30	\$ <u><u>176,580</u></u>	\$ <u><u>131,580</u></u>	\$ <u><u>132,485</u></u>	\$ <u><u>905</u></u>

FINLEY-SHARON PUBLIC SCHOOL DISTRICT #19
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS

Schedule of Employer's Share of Net Pension Liability

<u>Pension Plan</u>	<u>Balance Sheet Date*</u>	<u>Employer's Proportion of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
TFFR	6/30/2024	0.131920%	\$ 1,851,249	\$ 1,058,544	174.89%	69.30%
TFFR	6/30/2023	0.150403%	\$ 2,189,947	\$ 1,183,540	185.03%	67.50%
TFFR	6/30/2022	0.151365%	\$ 1,594,869	\$ 1,166,572	136.71%	75.70%
TFFR	6/30/2021	0.153056%	\$ 2,342,521	\$ 1,116,786	209.76%	63.40%
TFFR	6/30/2020	0.155906%	\$ 2,147,217	\$ 1,093,723	196.32%	65.50%
TFFR	6/30/2019	0.150406%	\$ 2,004,692	\$ 1,022,471	196.06%	65.50%
TFFR	6/30/2018	0.148501%	\$ 2,039,700	\$ 1,002,340	203.49%	63.20%
TFFR	6/30/2017	0.151836%	\$ 2,224,492	\$ 986,519	225.49%	59.20%
TFFR	6/30/2016	0.182516%	\$ 2,387,045	\$ 1,122,664	212.62%	62.10%
TFFR	6/30/2015	0.187829%	\$ 1,968,115	\$ 1,089,511	180.64%	66.60%

* The measurement date of the actuarial report is one year prior to the balance sheet date.

FINLEY-SHARON PUBLIC SCHOOL DISTRICT #19**SCHEDULE OF EMPLOYER CONTRIBUTIONS
ND TEACHERS' FUND FOR RETIREMENT
LAST 10 FISCAL YEARS****Schedule of Employer's Contributions**

<u>Pension Plan</u>	<u>Balance Sheet Date*</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
TFFR	6/30/2024	\$ 134,965	\$ (134,965)	\$ -	\$ 1,058,544	12.75%
TFFR	6/30/2023	\$ 150,901	\$ (150,901)	\$ -	\$ 1,183,540	12.75%
TFFR	6/30/2022	\$ 148,738	\$ (148,738)	\$ -	\$ 1,166,572	12.75%
TFFR	6/30/2021	\$ 142,390	\$ (142,390)	\$ -	\$ 1,116,786	12.75%
TFFR	6/30/2020	\$ 139,450	\$ (139,450)	\$ -	\$ 1,093,723	12.75%
TFFR	6/30/2019	\$ 130,365	\$ (130,365)	\$ -	\$ 1,022,471	12.75%
TFFR	6/30/2018	\$ 127,798	\$ (127,798)	\$ -	\$ 1,002,340	12.75%
TFFR	6/30/2017	\$ 125,781	\$ (125,781)	\$ -	\$ 986,519	12.75%
TFFR	6/30/2016	\$ 143,133	\$ (143,133)	\$ -	\$ 1,122,664	12.75%
TFFR	6/30/2015	\$ 117,121	\$ (117,121)	\$ -	\$ 1,089,511	10.75%

* The measurement date of the actuarial report is one year prior to the balance sheet date.

FINLEY-SHARON PUBLIC SCHOOL DISTRICT #19
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2024

NOTE 1 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

- The District adopts an annual budget on a modified accrual basis for the general fund and special reserve fund.
- The annual budget must be prepared, and District taxes must be levied on or before the fifteenth day of August of each year.
- The taxes levied must be certified to the county auditor by the twenty-fifth of August.
- The governing board may amend its tax levy and budget, but the certification must be filed with the county auditor by the tenth of October.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the business manager at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- All appropriations lapse at year-end.

NOTE 2 – CHANGES OF ASSUMPTIONS

North Dakota Teacher's Fund for Retirement

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

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

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

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

FINLEY-SHARON PUBLIC SCHOOL DISTRICT #19
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2024

NOTE 3 – LEGAL COMPLIANCE – BUDGETS

Budget Amendments

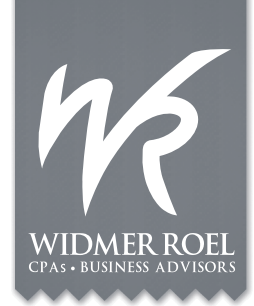
The school board amended the school district budget for FY2024 as follows:

Revenue/Transfer In			
	Original Budget	Amendments	Amended Budget
General fund	\$ 2,541,604	\$ 45,000	\$ 2,586,604
Expenditures/Transfer Out			
	Original Budget	Amendments	Amended Budget
General fund	\$ 2,498,458	\$ (972)	\$ 2,497,486
Special reserve fund	-	(45,000)	(45,000)

NOTE 4 – EXPENDITURE IN EXCESS OF BUDGET

During fiscal year 2024, the school had the following fund expenditures in excess of budget amounts:

Over budget expenditures			
	Budget	Actual	Excess
General fund	\$ 2,497,486	\$ 2,514,667	\$ 17,181



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**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 and Administration
Finley-Sharon Public School District #19
Finley, 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* (GAS) 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 **Finley-Sharon Public School District #19** (School District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise **Finley-Sharon Public School District #19's** basic financial statements, and have issued our report thereon dated March 13, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Finley-Sharon Public School District #19's** internal control over financial reporting (internal control) to determine the 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 **Finley-Sharon Public School District #19's** internal control. Accordingly, we do not express an opinion on the effectiveness of **Finley-Sharon Public School District #19'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.

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 identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2024-001 and 2024-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Finley-Sharon Public School District #19'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* (GAS).

Finley-Sharon Public School District #19's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the **Finley-Sharon Public School District #19's** response to the findings identified in our audit and described in the accompanying schedule of findings and responses. **Finley-Sharon Public School District #19's** response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in black ink, appearing to read "William Rouse". The signature is fluid and cursive, with a large initial "W" and a stylized "R".

Fargo, North Dakota
March 13, 2025

FINLEY-SHARON PUBLIC SCHOOL DISTRICT #19

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2024**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:

Governmental Activities

Unmodified

Major Funds

Unmodified

Aggregate Remaining Fund Information

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 X yes

 no

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

 yes

 X no

Noncompliance material to financial statements noted?

 yes

 X no

SECTION II – FINANCIAL STATEMENT FINDINGS

2024-001 (MATERIAL WEAKNESS) – GAAP FINANCIAL STATEMENT PREPARATION

Condition

Widmer Roel assists the School District with preparation of its financial statements and related disclosures in accordance with generally accepted accounting principles (GAAP).

Criteria

According to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) elements of internal control, an organization’s internal control should include the capability of preparing financial statements in accordance with U.S. GAAP.

Cause

The School District has determined it is more cost-effective to allocate its limited resources to areas other than preparation of financial statements and instead engage its third-party auditor to assist in this process.

Effect

The financial statements could be materially misstated or omit material financial statement disclosures.

Recommendation

We recommend management carefully review the financial statements and note disclosures and be able to understand the purpose and source of all material financial statement amounts and disclosures. We recommend management continue to prepare all requested supporting schedules, understanding their importance to the financial statements.

Views of Responsible Officials

The District recognizes this finding and does not find it to be cost-effective to prepare the financial statements. The District will continue to utilize Widmer Roel for this service and monitor in the future.

(Continued)

FINLEY-SHARON PUBLIC SCHOOL DISTRICT #19

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2024

2024-002 (MATERIAL WEAKNESS) – SEGREGATION OF DUTIES

Condition

The School District has a lack of segregation of duties in certain areas due to a limited number of staff. Specifically, the business manager role is responsible for numerous functions related to financial reporting.

Criteria

To ensure adequate internal control over financial reporting and prevent material misstatements due to errors or fraud, there should be a segregation of the functions of approval, custody of assets, posting and reconciliations.

Cause

The School District has limited staff to be able to adequately segregate duties.

Effect

Inadequate segregation of duties could adversely affect the School District's ability to detect misstatements in the financial statements, whether the cause of the misstatement was due to errors or fraud.

Recommendation

It is not unusual for smaller school districts to have several accounting functions concentrated with the business manager and/or superintendent. We recommend management be aware of the lack of segregation of duties and implement controls wherever possible to mitigate this risk. For example, we recommend the board continue and or adopt the following:

- Review and approve all significant contracts and disbursements.
- Careful review of budgeted items compared to actual results, investigating unusual discrepancies.
- Dual signatures on all significant checks.
- Periodic review of savings/CD statements and review of completed bank reconciliations.
- Periodic review of School District policies, including consideration of whether School District policies are sufficient to mitigate risk of financial statement errors or fraud, or noncompliance with laws, regulations and contracts.

Views of Responsible Officials

The District agrees that additional resources needed to reduce the deficiency would not be cost effective but will continue to monitor processes to ensure that integrity of the financial reporting process is maintained and will continue to look at ways to mitigate the risk with current resources.