

**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
GRAND FORKS, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
ROSTER OF SCHOOL OFFICIALS – UNAUDITED
AT JUNE 30, 2019

Mr. Bill Palmiscno	President
Ms. Amber Flynn	Vice President
Mr. Doug Carpenter	Board Member
Ms. Jacqueline Hoffarth	Board Member
Dr. Eric Lunn	Board Member
Mr. Chris Douthit	Board Member
Ms. Shannon Mikula	Board Member
Ms. Cynthia Shabb	Board Member
Mr. Matt Spivey	Board Member
Dr. Terry Brenner	Superintendent
Mr. Jody Thompson	Assistant Superintendent of Elementary Education
Ms. Catherine Gillach	Assistant Superintendent of Secondary Education
Mr. Scott Berge	Business Manager

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Grand Forks Public School District No. 1
Grand Forks, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Grand Forks Public School District No. 1, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Grand Forks Public School District No. 1, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of District's contributions to TFFR retirement plan, and schedule of District's proportionate share of net pension liability as listed in the table of contents be presented to supplement the basic financial statements. Such 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. 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The roster of school officials on page 1 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS NORTH DAKOTA**

November 27, 2019

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

The discussion and analysis of Grand Forks Public School District's financial performance provides an overall review of the District's financial activities for the year ended June 30, 2019. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2019 are as follows:

- Net position of the District decreased by \$953,140 as a result of the current year's operations primarily due to changes in the net pension liability.
- Governmental net position totaled (\$378,350).
- The District's general fund had \$103,584,237 in total revenues, \$106,610,817 in expenditures and \$746,446 in other financing sources. Overall, the general fund balance decreased by \$2,280,134 for the year ended June 30, 2019, and now totals \$16,266,006.

This annual report consists of a series of financial statements and related footnotes. These statements are organized so the reader can understand Grand Forks Public School District No. 1 as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities. The Statement of Net Position and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District do financially during the year ended June 30, 2019?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, liabilities, and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws in North Dakota, facility condition, required educational programs, and other factors.

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, Special Assessment Fund, Food Service Fund, and Building Fund.

Governmental Funds

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Financial Analysis of the District as a Whole

Recall that the Statement of Net Position provides the perspective of the District as a whole.

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019

Table 1 provides a summary of the District's net position as of June 30, 2019.

Table 1
Net Position

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Assets			
Current Assets	\$ 23,871,978	\$ 23,116,632	\$ 755,346
Capital Assets (net of accumulated depreciation)	<u>93,154,092</u>	<u>95,679,181</u>	<u>(2,525,089)</u>
Total Assets	<u>117,026,070</u>	<u>118,795,813</u>	<u>(1,769,743)</u>
Deferred Outflows of Resources	<u>11,999,951</u>	<u>15,279,568</u>	<u>(3,279,617)</u>
Liabilities			
Current Liabilities	4,897,567	4,797,502	100,065
Long-Term Liabilities	<u>119,307,394</u>	<u>126,227,280</u>	<u>(6,919,886)</u>
Total Liabilities	<u>124,204,961</u>	<u>131,024,782</u>	<u>(6,819,821)</u>
Deferred Inflows of Resources	<u>5,199,410</u>	<u>2,475,809</u>	<u>2,723,601</u>
Net Position			
Net Investment in Capital Assets	65,244,981	65,605,041	(360,060)
Restricted	136,696	-	136,696
Unrestricted	<u>(65,760,027)</u>	<u>(65,030,251)</u>	<u>(729,776)</u>
Total Net Position	<u>\$ (378,350)</u>	<u>\$ 574,790</u>	<u>\$ (953,140)</u>

The decrease in long-term liabilities was largely due to a decrease in the net pension liability during the year.

The District's net position of (\$378,350) is segregated into two separate categories. Net investment in capital assets represents \$65,244,981 of the District's entire net position. It should be noted that these resources are not available for future spending.

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019

Table 2 shows the changes in net position for the fiscal year ended June 30, 2019.

Table 2
Changes in Net Position

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Revenues			
Program Revenues:			
Charges for Services	\$ 7,917,672	\$ 7,898,276	\$ 19,396
Operating Grants and Contributions	14,953,322	14,277,398	675,924
General Revenues:			
Taxes	23,087,827	22,483,787	604,040
State Aid	63,985,727	63,869,537	116,190
Gain on Sale of Capital Assets	746,446	-	746,446
Other	<u>1,473,565</u>	<u>1,103,218</u>	<u>370,347</u>
Total Revenues	<u>112,164,559</u>	<u>109,632,216</u>	<u>2,532,343</u>
Expenses			
Instruction	68,900,460	70,646,540	(1,746,080)
Support Services:			
Pupil and Instructional Staff Services	12,102,519	10,302,511	1,800,008
Headstart	370,249	352,445	17,804
Special Education	2,421,290	2,604,837	(183,547)
Career Technical Education	430,792	459,985	(29,193)
General Administration Services	1,482,854	1,271,831	211,023
School Administration Services	5,769,667	5,677,855	91,812
Businesss Services	2,011,068	1,928,097	82,971
Operations and Maintenance	8,575,608	8,369,158	206,450
Pupil Transportation Services	1,480,269	1,424,206	56,063
Extracurricular Activities	3,939,972	3,139,559	800,413
Food Services	4,679,128	4,680,688	(1,560)
Community Services	546,444	575,671	(29,227)
Interest on Long-Term Debt	<u>407,379</u>	<u>525,062</u>	<u>(117,683)</u>
Total Expenses	<u>113,117,699</u>	<u>111,958,445</u>	<u>1,159,254</u>
Increase (Decrease) in Net Position	(953,140)	(2,326,229)	1,373,089
Net Position - Beginning	<u>574,790</u>	<u>2,901,019</u>	<u>(2,326,229)</u>
Net Position - Ending	<u>\$ (378,350)</u>	<u>\$ 574,790</u>	<u>\$ (953,140)</u>

Property taxes constituted 21%, state aid 57%, operating grants and contributions 13%, and charges for services made up 7% of the total revenues of governmental activities of the District for fiscal year 2019. Instruction comprises 61% of District expenses.

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues.

Table 3
Cost of Services

	Total Cost for Year Ended 06/30/19	Net Cost for Year Ended 06/30/19	Total Cost for Year Ended 06/30/18	Net Cost for Year Ended 06/30/18
Instruction	\$ 68,900,460	\$ 52,369,003	\$ 70,646,540	\$ 54,719,239
Support Services:				
Pupil and Instructional Staff Services	12,102,519	11,993,079	10,302,511	10,174,440
Headstart	370,249	370,249	352,445	352,445
Special Education	2,421,290	2,421,290	2,604,837	2,604,837
Career Technical Education	430,792	402,149	459,985	448,222
General Administration Services	1,482,854	1,482,854	1,271,831	1,271,831
School Administration Services	5,769,667	5,769,667	5,677,855	5,677,855
Businesss Services	2,011,068	2,011,068	1,928,097	1,928,097
Operations and Maintenance	8,575,608	8,565,988	8,369,158	8,356,443
Pupil Transportation Services	1,480,269	778,365	1,424,206	873,788
Extracurricular Activities	3,939,972	3,274,111	3,139,559	2,551,552
Food Services	4,679,128	(144,941)	4,680,688	(276,711)
Community Services	546,444	546,444	575,671	575,671
Interest on Long-Term Debt	407,379	407,379	525,062	525,062
Total Expenses	<u>\$ 113,117,699</u>	<u>\$ 90,246,705</u>	<u>\$ 111,958,445</u>	<u>\$ 89,782,771</u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil. Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to pupils. General administration, school administration, and business services include expenses associated with administrative and financial supervision of the District. Operation and maintenance of plant activities involve maintaining the school grounds, buildings, and equipment in an effective working condition. Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law. Extracurricular activities include expenses related to student activities provided by the District which are designed to provide opportunities for pupils to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment, and skill improvement. Food Services include expenses directly dealing with providing breakfast and lunch service to students and staff of the District.

Interest on long-term debt involves the transactions associated with the payment of interest and other related charges to debt of the District.

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019

Financial Analysis of the District's Governmental Funds

The focus of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unassigned fund balance generally may be used as a measure of the District's net resources available for spending at the end of the fiscal year. These funds are accounted for by using the modified accrual basis of accounting. The District's governmental funds had total revenues of \$111,201,603 and total expenditures of \$113,865,553 for the year ended June 30, 2019. As of June 30, 2019, the unassigned fund balance of the District's governmental funds was \$13,243,701.

General Fund Budgeting Highlights

During the course of the 2019 fiscal year, the District believes the variances between budgeted and actual are small. This indicates that the users of the District's budget and financial statements were well informed. The District did not amend its budget.

The District's final budget for the general fund anticipated the expenditures and other financing uses would exceed revenues by \$4,302,298; the actual results show expenditures exceeded revenues and other financing sources by \$2,280,134.

- Revenues were \$494,237 more than projections, largely due to an increase of \$461,602 over the budgeted amount of \$5,121,000 in funding from charges for services and an increase of \$430,862 over the budgeted amount of \$394,536 in other local services.
- The actual expenditures were \$641,481 below the budgeted figure due to a decrease of \$871,042 in pupil and instructional staff service expenditures during the year.

The General Fund ended with a fund balance of \$16,266,006 which was an increase of \$2,022,164 over the final budgeted amount.

Capital Assets

As of June 30, 2019, the District had \$93,154,092 invested in capital assets. Table 4 shows balances as of June 30, 2019 and 2018, respectively. See Note 5 for additional details.

Table 4
Capital Assets (Net of Depreciation)

	2019	2018
School Sites and Other Lands	\$ 7,174,829	\$ 7,174,057
Buildings and Improvements	83,280,162	86,078,583
Furniture and Equipment	2,699,101	2,426,541
Total	\$ 93,154,092	\$ 95,679,181

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019

Debt Administration

As of June 30, 2019, the District had \$122,858,327 in outstanding debt, with \$3,550,933 due within one year. The District had an overall decrease in debt of \$6,852,236 from June 30, 2018 primarily due to the decrease in net pension liability during the year. See Note 6 for additional details.

Table 5
Summary of Outstanding Long-Term Debt

	2019	2018
Bond and Notes Payable	\$ 26,606,154	\$ 28,444,482
Capital Leases Payable	206,559	409,087
Special Assessments Payable	1,096,398	1,220,571
Severance Payable	2,363,819	2,571,229
Sick Leave Payable	80,008	94,543
Net Pension Liability	92,505,389	96,970,651
	\$ 122,858,327	\$ 129,710,563

For the Future:

BUDGET AND TAX LEVY:

Fiscal Year 2019-2020

On September 30, 2019, The Grand Forks School Board gave final approval for the 2019-2020 general fund budget with estimated revenues of \$103,782,176 and estimated expenditures of \$108,505,369. The FY 19-20 property tax levy was based on 86 mills for general educational purposes, 10 mills for the building fund, 2 mills for special assessments, and 3 mills for the special reserve fund. The total levy of 101 mills is an increase to the FY 18-19 property tax levy.

Contacting the District's Financial Management:

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. You may request a copy of this report by contacting Scott Berge, Business Manager, Grand Forks Public School District, P.O. Box 6000, 2400 47th Avenue South, Grand Forks, ND 58201-3405, or email at scott.j.berge161@mygfschools.org.

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 13,737,271
Investments	5,767,795
Accounts Receivable	1,729,398
Interest Receivable	303,359
Property Taxes Receivable	2,035,797
Inventory	298,358
Total Current Assets	23,871,978
Non-Current Assets	
Non Depreciable Capital Assets	7,174,829
Capital Assets, Net of Accumulated Depreciation	85,979,263
Total Non-Current Assets	93,154,092
Total Assets	117,026,070
Deferred Outflows of Resources	
Cost Sharing Defined Benefit Pension Plan - TFFR	11,999,951
Total Deferred Outflows of Resources	11,999,951
Liabilities	
Current Liabilities	
Accounts Payable and Other Accrued Liabilities	555,207
Accrued Expenses	133,125
Salaries Payable	181,924
Accrued Interest	361,899
Unearned Revenue	114,479
Current Portion of Non-Current Liabilities	3,550,933
Total Current Liabilities	4,897,567
Non-Current Liabilities	
Sick Leave Payable	80,008
Severance Payable	2,363,819
Special Assessments Payable	1,096,398
Bonds and Notes Payable	26,606,154
Capital Lease Payable	206,559
Net Pension Liability	92,505,389
Less Current Portion	(3,550,933)
Total Non-Current Liabilities	119,307,394
Total Liabilities	124,204,961
Deferred Inflows of Resources	
Cost Sharing Defined Benefit Pension Plan - TFFR	5,199,410
Total Deferred Inflows of Resources	5,199,410
Net Position	
Net Investment in Capital Assets	65,244,981
Restricted For:	
Special Assessments	136,696
Unrestricted	(65,760,027)
Total Net Position	\$ (378,350)

See Notes to the Financial Statements

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes</u>
			<u>Contributions</u>	<u>in Net Position</u>
				<u>Governmental</u>
				<u>Activities</u>
Primary Government				
Governmental Activities:				
Instruction				
Regular	\$ 47,018,105	\$ 4,544,282	\$ 6,083,238	\$ (36,390,585)
Special Education	16,831,293	255,431	2,113,781	(14,462,081)
Career Technical Education	3,602,393	-	912,858	(2,689,535)
Headstart	1,448,669	-	2,621,867	1,173,198
Total Instruction	<u>68,900,460</u>	<u>4,799,713</u>	<u>11,731,744</u>	<u>(52,369,003)</u>
Support Services:				
Pupil and Instructional Staff Services	12,102,519	109,440	-	(11,993,079)
Headstart	370,249	-	-	(370,249)
Special Education	2,421,290	-	-	(2,421,290)
Career Technical Education	430,792	-	28,643	(402,149)
General Administration Services	1,482,854	-	-	(1,482,854)
School Administration Services	5,769,667	-	-	(5,769,667)
Businesss Services	2,011,068	-	-	(2,011,068)
Operations and Maintenance	8,575,608	9,620	-	(8,565,988)
Pupil Transportation Services	1,480,269	107,418	594,486	(778,365)
Extracurricular Activities	3,939,972	665,861	-	(3,274,111)
Food Services	4,679,128	2,225,620	2,598,449	144,941
Community Services	546,444	-	-	(546,444)
Interest on Long-Term Debt	407,379	-	-	(407,379)
Total Support Services	<u>44,217,239</u>	<u>3,117,959</u>	<u>3,221,578</u>	<u>(37,877,702)</u>
Total Primary Government	<u>\$ 113,117,699</u>	<u>\$ 7,917,672</u>	<u>\$ 14,953,322</u>	<u>(90,246,705)</u>
General Revenues				
Taxes				
Property Taxes, Levied for General Purpose				20,355,544
Property Taxes, Levied for Building Fund				2,277,683
Property Taxes, Levied for Special Assessment				454,600
State Aid Not Restricted for Specific Purposes				
Per Pupil Aid				63,985,727
Sale of CTE Houses				746,446
Interest Income and Other Revenues				1,473,565
Total General Revenues				<u>89,293,565</u>
Change in Net Position				(953,140)
Net Position, Beginning				<u>574,790</u>
Net Position, Ending				<u>\$ (378,350)</u>

See Notes to the Financial Statements

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2019

	<u>General Fund</u>	<u>Special Assessment Fund</u>	<u>Food Service Fund</u>	<u>Building Fund</u>	<u>Total Governmental Funds</u>
Assets					
Cash and Cash Equivalents	\$ 8,462,768	\$ 102,799	\$ 2,094,114	\$ -	\$ 10,659,681
Investments	5,705,650	-	-	12,237	5,717,887
Property Taxes Receivable	1,830,757	33,897	-	171,143	2,035,797
Accounts Receivable	1,369,050	-	304,206	-	1,673,256
Due From Other Funds	1,625,864	-	-	-	1,625,864
Inventory	212,847	-	85,511	-	298,358
Total Assets	<u>\$ 19,206,936</u>	<u>\$ 136,696</u>	<u>\$ 2,483,831</u>	<u>\$ 183,380</u>	<u>\$ 22,010,843</u>
Liabilities					
Accounts Payable	\$ 140,991	\$ -	\$ 5,326	\$ -	\$ 146,317
Accrued Liabilities	133,125	-	-	-	133,125
Salaries Payable	178,559	-	3,365	-	181,924
Due to Other Funds	-	-	-	1,625,864	1,625,864
Severance Payable	1,153,141	-	-	-	1,153,141
Unearned Revenue	-	-	114,479	-	114,479
Total Liabilities	<u>1,605,816</u>	<u>-</u>	<u>123,170</u>	<u>1,625,864</u>	<u>3,354,850</u>
Deferred Inflows of Resources					
Unavailable Revenue - Property Taxes	1,335,114	31,095	-	156,296	1,522,505
Total Deferred Inflows of Resources	<u>1,335,114</u>	<u>31,095</u>	<u>-</u>	<u>156,296</u>	<u>1,522,505</u>
Fund Balance					
Non-Spendable	212,847	-	85,511	-	298,358
Restricted	-	105,601	-	-	105,601
Assigned	1,210,678	-	2,275,150	-	3,485,828
Unassigned	14,842,481	-	-	(1,598,780)	13,243,701
Total Fund Balance (Deficit)	<u>16,266,006</u>	<u>105,601</u>	<u>2,360,661</u>	<u>(1,598,780)</u>	<u>17,133,488</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 19,206,936</u>	<u>\$ 136,696</u>	<u>\$ 2,483,831</u>	<u>\$ 183,380</u>	<u>\$ 22,010,843</u>

See Notes to the Financial Statements

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE DISTRICT WIDE STATEMENT OF NET POSITION
JUNE 30, 2019

Fund balance - governmental funds \$ 17,133,488

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.

Cost of Capital Assets	\$	156,802,784	
Less: Accumulated Depreciation		<u>(63,648,692)</u>	
Net			93,154,092

Net deferred outflows/(inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows/(inflows) of resources in the governmental funds. 6,800,541

Property taxes receivable will be collected during the year, but are not available soon enough to pay for the current period's expenditures, and, therefore are unavailable in the governmental funds. 1,522,505

The District accounts for its self-funded health insurance plan as an internal service fund. The assets and liabilities of the internal service fund are included with the governmental activities. 2,774,749

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These long-term liabilities consisted of the following:

Bonds Payable	\$	26,606,154	
Capital Leases Payable		206,559	
Special Assessments Payable		1,096,398	
Sick Leave Payable		80,008	
Early Retirement Payable		1,210,678	
Net Pension Liability		<u>92,505,389</u>	
Total			(121,705,186)

Interest receivable/payable is not due and payable in the current period and, therefore, is not reported as a receivable/liability in the governmental funds. (58,539)

Net Position - Governmental Activities \$ (378,350)

See Notes to the Financial Statements

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Special Assessment Fund</u>	<u>Food Service Fund</u>	<u>Building Fund</u>	<u>Total Governmental Funds</u>
Revenues					
Property Taxes	\$ 19,535,414	\$ 454,600	\$ -	\$ 2,277,683	\$ 22,267,697
Payments in Lieu of Taxes	596,309	-	-	-	596,309
Other Local Sources	825,398	-	76,526	-	901,924
Intergovernmental	76,465,593	-	2,582,905	-	79,048,498
Charges for Services	5,582,602	-	2,225,620	-	7,808,222
Contributions and Donations	21,238	-	-	-	21,238
Investment Income	557,683	-	32	-	557,715
Total Revenues	<u>103,584,237</u>	<u>454,600</u>	<u>4,885,083</u>	<u>2,277,683</u>	<u>111,201,603</u>
Expenditures					
Current:					
Instruction:					
Pupil and Instructional Staff Services	46,614,438	-	-	-	46,614,438
Special Education	16,367,610	-	-	-	16,367,610
Career Technical Education	3,481,548	-	-	-	3,481,548
Headstart	1,408,048	-	-	-	1,408,048
Total Instruction	<u>67,871,644</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,871,644</u>
Support Services:					
Pupil and Instructional Staff Services	10,940,768	-	-	-	10,940,768
Headstart	359,772	-	-	-	359,772
Special Education	2,343,627	-	-	-	2,343,627
Career Technical Education	417,186	-	-	-	417,186
General Administrative Services	1,445,000	-	-	-	1,445,000
School Administrative Services	5,600,646	-	-	-	5,600,646
Business Services	1,953,783	-	-	-	1,953,783
Operations and Maintenance	8,326,582	-	-	-	8,326,582
Pupil Transportation Services	1,437,831	-	-	-	1,437,831
Extracurricular	3,846,584	-	-	-	3,846,584
Food Services	7,533	-	4,532,125	-	4,539,658
Community Services	529,296	-	-	-	529,296
Capital Outlay	1,319,897	-	214,638	-	1,534,535
Debt Service:					
Principal	202,527	124,510	-	1,838,329	2,165,366
Interest and Other Fees	8,141	74,268	-	470,866	553,275
Total Support Services	<u>38,739,173</u>	<u>198,778</u>	<u>4,746,763</u>	<u>2,309,195</u>	<u>45,993,909</u>
Total Expenditures	<u>106,610,817</u>	<u>198,778</u>	<u>4,746,763</u>	<u>2,309,195</u>	<u>113,865,553</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,026,580)</u>	<u>255,822</u>	<u>138,320</u>	<u>(31,512)</u>	<u>(2,663,950)</u>
Other Financing Sources (Uses)					
Sale of CTE Houses	746,446	-	-	-	746,446
Total Other Financing Sources (Uses)	<u>746,446</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>746,446</u>
Net Change in Fund Balances	(2,280,134)	255,822	138,320	(31,512)	(1,917,504)
Fund Balances, Beginning of Year	<u>18,546,140</u>	<u>(150,221)</u>	<u>2,222,341</u>	<u>(1,567,268)</u>	<u>19,050,992</u>
Fund Balances, End of Year	<u>\$ 16,266,006</u>	<u>\$ 105,601</u>	<u>\$ 2,360,661</u>	<u>\$ (1,598,780)</u>	<u>\$ 17,133,488</u>

See Notes to the Financial Statements

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE WITH THE DISTRICT WIDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Total net changes in fund balances - Governmental Funds \$ (1,917,504)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Outlay	\$ 712,461	
Depreciation Expense	<u>(3,213,094)</u>	
Excess of Depreciation Expense Over Capital Outlay		(2,500,633)

When recognizing the sale of capital assets, the governmental funds report the total proceeds of the sale. Only the gain or loss of the sale is reported on the statement of net position.

Net book value of capital assets disposed	(24,456)
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The repayment of long-term debt is reported as an expenditure in the governmental funds. However, the repayment reduces long-term liabilities in the statement of net position.

2,040,856

Changes in deferred outflows and inflows of resources related to the net pension liability	(6,003,218)
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Change in net pension liability	4,465,262
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Some revenues will not be collected for several months after the District's fiscal year end. These revenues are not considered "available" revenues in the governmental funds. These consist of:

Unavailable property taxes	223,822
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

96,088

Interest income in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as revenue in the governmental funds when it is received. In the statement of activities, however, interest income is recognized as the interest is earned, regardless of when it is received.

(7,315)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These activities consist of:

Sick Leave	14,535
Long-Term Severance	141,118
Special Assessments	124,173

An internal service fund is used by the District to account for its self-funded health insurance plan. The net income of the internal service fund is reported with the governmental activities.

2,394,132

Change in Net Position - Governmental Activities	<u>\$ (953,140)</u>
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See Notes to the Financial Statements

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2019

		<u>Governmental Activities</u>
		<u>Internal Service Funds</u>
Assets		
Cash and Cash Equivalents	\$	3,077,589
Investments		49,908
Accounts Receivable		56,142
Total Assets		<u>3,183,639</u>
 Liabilities		
Accounts Payable and Accrued Liabilities		408,890
Total Liabilities		<u>408,890</u>
 Net Position		
Unrestricted		2,774,749
Total Net Position	\$	<u>2,774,749</u>

See Notes to the Financial Statements

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Governmental Activities	Internal Service Funds
Revenues		
Insurance Contributions	\$	10,953,419
Total Revenues		10,953,419
Expenses		
Health Claims Paid		7,102,060
Insurance Premiums Paid and Administrative Charges		1,504,378
Total Expenses		8,606,438
Operating Income (Loss)		2,346,981
Non-Operating Revenues (Expenses)		
Interest Income		47,151
Total Non-Operating Revenues (Expenses)		47,151
Change in Net Position		2,394,132
Total Net Position, Beginning of Year		380,617
Total Net Position, End of Year	\$	2,774,749

See Notes to the Financial Statements

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

		<u>Governmental Activities</u> <u>Internal Service Funds</u>
Cash Flow From Operating Activities:		
Cash Received from Charges to Other Funds	\$	10,953,419
Cash Paid to Insurance Claims by Operating Activities		(8,620,170)
Net Cash Provided (Used) by Operating Activities		<u>2,333,249</u>
 Cash Flow From Investing Activities:		
Purchase of Investments		(46,386)
Sale of Investments		765
Interest on Investments		46,386
Net Cash Provided (Used) by Investing Activities		<u>765</u>
 Net Increase in Cash and Cash Equivalents		 2,334,014
 Cash and Cash Equivalents - Beginning of Year		 <u>743,575</u>
 Cash and Cash Equivalents - End of Year	\$	 <u><u>3,077,589</u></u>
 Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:		
Operating Income (Loss)	\$	2,346,981
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Changes in Assets:		
Accounts Receivable		(56,142)
Changes in Liabilities:		
Accounts Payable and Accrued Liabilities		<u>42,410</u>
Net Cash Provided (Used) by Operating Activities	\$	<u><u>2,333,249</u></u>

See Notes to the Financial Statements

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF ASSETS & LIABILITIES– FIDUCIARY FUNDS
JUNE 30, 2019

	Total Agency Funds
Assets	
Cash and Cash Equivalents	\$ 864,434
Accounts Receivable	<u>76,202</u>
Total Assets	<u><u>\$ 940,636</u></u>
Liabilities	
Due to Student Groups	\$ 765,452
Due to Other Governments	<u>175,184</u>
Total Liabilities	<u><u>\$ 940,636</u></u>
Net Position	<u><u>\$ -</u></u>

See Notes to the Financial Statements

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Grand Forks Public School District operates the public schools in the City of Grand Forks, North Dakota. There are twelve elementary schools, four middle schools, two senior high schools and one alternative school.

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

Based on these criteria, the Grand Forks School District Building Authority is included in the District's reporting entity as a blended component unit in the general fund.

The Grand Forks School District Building Authority leases various facilities and capital improvements to the Grand Forks Public School District. The Building Authority does not prepare any external financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

Basis of Presentation

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

Government-wide Financial Statements

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

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. The statement identifies the extent to which each governmental function is self-financing or drawing from the general revenues of the District. Direct expenses are expenses that are specifically associated with a service, program or department. The direct expenses are clearly identifiable to a particular function. Program revenues include charges to recipients for goods or services offered by the program, and grants and contributions that are restricted to meet the operational or capital requirements of a particular program.

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

Revenues which are not classified as program revenues are presented as general revenues of the District.

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

Fund Financial Statements

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

Fund Accounting

The District's funds consist of the following:

Governmental Funds

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

General Fund

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

Special Revenue Funds - Accounts for proceeds of specific revenue sources (other than permanent fund and major capital projects) that are legally restricted to expenditures for specific purposes. The District's special revenue funds and their purpose are as follows:

Special Assessment Fund - This fund accounts for the financial resources associated with special assessment projects at various sites.

Food Service Fund - This fund accounts for the financial resources associated with the District's hot lunch program.

Building Fund

This fund accounts for the financial resources associated with capital improvement projects at various sites.

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

Proprietary Funds

The reporting focus of proprietary funds is on the determination of net income, financial position and changes in financial position (economic resources). These funds are used to account for activities which are similar to those found in the private sector. The funds are maintained on the accrual basis of accounting.

Internal Service Funds

The reporting focus of internal service funds is on services provided by one fund of the District to other funds on a cost reimbursement basis. The District's only internal service fund consists of the following:

Self-funded Insurance Fund - This fund accounts for the financial transactions related to the District's self-funded health insurance plan.

Fiduciary Funds

The reporting focus of fiduciary funds is on net position and changes in net position. The District has two fiduciary funds which are both agency funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The District's agency fund consists of the following:

Student Activity Fund –The fund accounts for the financial transactions related to the District's student activity programs.

Red River Valley Education Cooperative – The fund accounts for the financial transactions related to the activities for one of the eight region state networks comprising the North Dakota Regional Education Association.

Measurement Focus and Basis of Accounting

Measurement Focus

Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, liabilities and deferred inflows/outflows of resources associated with the operation of the District are included in the statement of net position.

Fund Financial Statements:

The governmental funds are accounted for using a flow of current financial resources measurement focus. Under this measurement focus, only current assets, current liabilities and current deferred inflows/outflows of resources 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.

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

The current financial resources measurement focus differs from the manner which the governmental activities of the government-wide financial statements are prepared. Due to the difference, the District'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.

Fiduciary Funds also use the economic resources measurement focus.

Basis of Accounting

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

Government-wide financial statements are prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The District's internal service fund also uses the accrual basis of accounting.

The District's governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of its fiscal year. Expenditures are generally recorded as the related fund liability is incurred.

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

Revenues-Exchange and Non-Exchange Transactions

Exchange transactions are transactions in which each party gives and receives essentially equal value. Under the accrual basis of accounting, revenue for exchange transactions is recorded when the exchange takes place. Under the modified accrual basis of accounting, revenue for exchange transactions is recorded when the resources are measurable and available.

Non-exchange transactions include transactions in which the District receives value without directly providing value in return. Non-exchange transactions include property taxes, grants, entitlements, and donations.

Under the accrual basis of accounting, property taxes are recorded as revenue in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recorded in the fiscal year in which all eligibility requirements have been satisfied. Under the modified accrual basis of accounting, revenue from non-exchange transactions must also be available before it is recorded in the financial records of the District.

Major revenue sources susceptible to accrual include: property taxes, intergovernmental revenues and investment income.

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

Unearned Revenues

Unearned revenue arises when assets are recognized in the financial statements before the revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenues.

On the governmental fund financial statements, food service prepayments are reported as unearned as the services have not been provided.

Expenses and Expenditures

Governmental funds accounting measurement focus is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recorded in the fiscal year in which the related fund liability is incurred. Under the accrual basis of accounting, expenses are recorded when incurred.

Cash and Cash Equivalents

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

Investments

Investments are recorded at market value. North Dakota state statute authorizes school districts to invest their surplus funds in:

- a) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress.
- b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.
- c) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation of the state.
- d) Certificates of deposit, savings deposits, or other deposits fully insured or guaranteed by the Federal Deposit Insurance Corporation and placed for the benefit of the public depositor by the public depository through an appropriate deposit placement service as determined by the commissioner of financial institutions.
- e) State and local securities:
 - 1) Any security that is general obligation of any state or local government with taxing powers and is rated in the highest three categories by a nationally recognized rating agency.
 - 2) An obligation of the state housing finance agency that is rated in the highest two categories by a nationally recognized rating agency.
 - 3) Any security that is a general obligation of a school district and is rated in the highest two categories by a nationally recognized rating agency.
 - 4) Obligations of this State and general obligations of its political subdivisions.
- f) Commercial paper issued by a United States corporation rated in the highest quality category by at least two nationally recognized rating agencies and matures in two hundred seventy days or less.

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

Fair Value Measurements

The District accounts for all assets and liabilities that are being measured and reported on a fair value basis in accordance with GAAP. GAAP defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value measurements.

When fair value measurements are required, various data is used in determining those values. This statement requires that assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

Level 1	Quoted market prices in active markets for identical assets or liabilities.
Level 2	Observable market-based inputs or unobservable inputs that are corroborated by market data.
Level 3	Unobservable inputs that are not corroborated by market data.

Inventories

Inventories in governmental funds consist of expendable supplies held for consumption. They are stated at cost determined on a weighted average basis. They are recorded as expenditures at the time individual inventory items are used.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported as assets in the fund financial statements. All capital assets are recorded at cost (or estimated historical cost). The assets are updated for additions and retirements during the District's fiscal year. The District has established a capitalization threshold of \$5,000. Donated fixed assets are recorded at their acquisition values at the date received. Improvements that significantly extend the useful life of the asset are also capitalized.

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

Improvements other than Buildings	15 years
Buildings and Improvements	50 years
Furniture and Equipment	5 to 15 years

Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB No. 16, *Accounting for Compensated Absences*. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability for those employees who were employed under the Custodial and Maintenance and Secretarial Work Agreements, 1989-91. These employees began work before July 1, 1991. The amount is based on accumulated sick leave as of June 30, 1991, less any days the employee may have used after June 30, 1991. The District records the liability at the current wage rates of the employee at fiscal year-end.

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the District's government wide financial statements. The District's governmental fund financials report only those obligations that will be paid from current financial resources.

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.

Fund Balance Classifications

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 – pre-paid items or 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 or 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.

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, and then use unrestricted resources as they are needed.

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

When committed, assigned or unassigned resources are available for use, the District's preference is to use resources in the following order; 1) committed, 2) assigned and 3) unassigned.

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 resource (expense/expenditure) until then. The District has one item reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents actuarial differences within the TFFR pension plan as well as contributions to the plan made after the measurement date.

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 so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two types of items, one of which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue – property taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also has one item reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents the actuarial differences within the TFFR pension plan.

Net Position

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

Inter-fund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Inter-fund activities within the District's governmental activities and its business-type activities are eliminated in the statement of activities.

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

Estimates

The District has established a self-funded health insurance plan. Because of the inherent uncertainties associated with estimating the accrued liability for claims, it is at least reasonably possible that the estimate used will change within the near term.

Revenue Recognition - Property Taxes

Taxes receivable consist of current and delinquent uncollected taxes at June 30, 2019.

Property taxes attach as an enforceable lien on property January 1. A five percent reduction is allowed if paid by February 15. Penalty and interest are added March 15 if the first half of the taxes have not been paid. Additional penalties are added October 15, if not paid. Taxes are collected by the county and usually remitted monthly to the school district.

Property tax revenue in the governmental funds is recognized in compliance with National Council of Government Accounting (NCGA) Interpretation 3, *Revenue Recognition - Property Taxes*. This interpretation states that property tax revenue is recorded when it becomes available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Property tax revenue is recorded as revenue in the year the tax is levied in the government - wide financial statements. State laws limit property taxes. All school district tax levies are in compliance with state laws.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service fund is charges to other funds for health insurance premiums. Operating expenses for the internal service fund include the cost of claims and related administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTE 3 DEPOSITS AND INVESTMENTS

In accordance with North Dakota laws, the District maintains deposits at a depository authorized by the School Board. The depository is a member of the Federal Reserve System.

North Dakota state statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by federal deposit insurance or corporate surety bonds.

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. Government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. North Dakota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

At June 30, 2019, all deposits for the District were insured or collateralized by securities held by the District's agent in the District's name.

Investments

As of June 30, 2019, the District's investments consist of the following:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificates of Deposit	Less than 1 year	\$4,118,600
Certificates of Deposit	1 - 5 years	1,646,764
Certificates of Deposit	6 - 10 years	1,056
Certificates of Deposit	Greater than 10 years	<u>1,375</u>
 Total Investments		 <u>\$5,767,795</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair values of an investment. The price of a debt security typically moves in the opposite direction of the change in interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer or the other counterparty to an investment will not fulfill its obligations. North Dakota laws restrict allowable investments for public funds in order to safeguard the principle on investments. As a means of limiting its exposure to investing in too large of a portion in one type of investment instrument, the District has implemented a maximum percentage for each type of instrument as follows:

U.S. Treasury (Bills, Notes, Bonds)	90%
U.S. Governmental Agency Securities	90%
Certificates of Deposit	90%

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2019

NOTE 4 CREDIT RISK

As of June 30, 2019, the District's receivables consist of amounts due from other governmental units primarily located within the State of North Dakota and bond interest rebates due from the Internal Revenue Service in accordance with the District's 2010 taxable limited bond agreements.

NOTE 5 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Balance 6/30/2018	Additions	Disposals	Balance 6/30/2019
Governmental Activities				
Non-Depreciable Capital Assets:				
School Sites and Other Lands	\$ 7,174,057	\$ 772	\$ -	\$ 7,174,829
Total Non-Depreciable Capital Assets:	<u>7,174,057</u>	<u>772</u>	<u>-</u>	<u>7,174,829</u>
Depreciable Capital Assets:				
Buildings	136,561,670	-	-	136,561,670
Improvements Other than Buildings	6,030,541	-	46,250	5,984,291
Furniture & Equipment	6,529,386	711,689	159,081	7,081,994
Total Capital Assets	<u>149,121,597</u>	<u>711,689</u>	<u>205,331</u>	<u>149,627,955</u>
Less Accumulated Depreciation:				
Buildings	54,741,766	2,510,354	-	57,252,120
Improvements Other than Buildings	1,771,862	288,067	46,250	2,013,679
Furniture & Equipment	4,102,845	414,673	134,625	4,382,893
Total Accumulated Depreciation	<u>60,616,473</u>	<u>3,213,094</u>	<u>180,875</u>	<u>63,648,692</u>
Net Depreciable Capital Assets	<u>88,505,124</u>	<u>(2,501,405)</u>	<u>24,456</u>	<u>85,979,263</u>
Governmental Activities Capital Assets, Net	<u>\$ 95,679,181</u>	<u>\$ (2,500,633)</u>	<u>\$ 24,456</u>	<u>\$ 93,154,092</u>

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

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

Instruction:	
Regular	\$ 1,415,498
Special Education	463,683
Career Technical Education	120,844
Headstart	40,621
Support Services:	
Pupil and Instructional Staff Services	265,073
Headstart	10,477
Special Education	77,663
Career Technical Education	13,606
General Administration Services	37,854
School Administration Services	169,021
Businesss Services	57,285
Operations and Maintenance	249,026
Pupil Transportation Services	42,438
Extracurricular Activities	93,388
Food Services	139,469
Community Services	17,148
	<u>\$ 3,213,094</u>

NOTE 6 LONG-TERM INDEBTEDNESS

The following is a summary of changes in long-term indebtedness of the District for the year ended June 30, 2019:

	Balance 6/30/2018	Additions	Retired	Balance 6/30/2019	Due Within One Year
Bonds:					
Bank of North Dakota	\$ 11,774,482	\$ -	\$ 683,328	\$ 11,091,154	\$ 696,653
Taxable Limited Tax Bonds	16,670,000	-	1,155,000	15,515,000	1,290,000
Total Bonds:	<u>28,444,482</u>	<u>-</u>	<u>1,838,328</u>	<u>26,606,154</u>	<u>1,986,653</u>
Capital Leases Payable	409,087	-	202,528	206,559	206,559
Special Assessments Payable	1,220,571	337	124,510	1,096,398	124,572
Severance Payable	2,571,229	1,349,364	1,556,774	2,363,819	1,153,141
Sick Leave Payable	94,543	-	14,535	80,008	80,008
Net Pension Liability	96,970,651	25,509,040	29,974,302	92,505,389	-
Totals	<u>\$ 129,710,563</u>	<u>\$ 26,858,741</u>	<u>\$ 33,710,977</u>	<u>\$ 122,858,327</u>	<u>\$ 3,550,933</u>

Governmental funds used to liquidate long-term debt are the General Fund, Special Assessment Fund, and the Building Fund.

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

A. Bonds:

Bank of North Dakota:

Date of Issue	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 06/30/19	Amounts Due in 2019-2020	
						Principal	Interest
2013B	1.95%	2017-33	\$ 15,000,000	\$ 683,328	\$ 11,091,154	\$ 696,653	\$ 216,278
				<u>\$ 683,328</u>	<u>\$ 11,091,154</u>	<u>\$ 696,653</u>	<u>\$ 216,278</u>

Annual debt service requirements to maturity are as follows:

Years Ending June 30,	Principal	Interest	Total
2020	\$ 696,653	\$ 216,278	\$ 912,931
2021	710,238	202,693	912,931
2022	724,087	188,843	912,930
2023	738,207	174,723	912,930
2024	752,602	160,328	912,930
2025-2029	3,988,954	575,699	4,564,653
2030-2033	<u>3,480,413</u>	<u>171,308</u>	<u>3,651,721</u>
Total	<u>\$ 11,091,154</u>	<u>\$ 1,689,872</u>	<u>\$ 12,781,026</u>

Taxable Limited Tax Bonds:

Date of Issue	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 06/30/19	Amounts Due in 2019-2020		Anticipated Interest Subsidy
						Principal	Interest	
2010A	6.00%	2028	\$ 6,230,000	\$ -	\$ 6,230,000	\$ -	\$373,800	\$ 331,340
2010B	6.00%	2028	5,000,000	-	5,000,000	-	300,000	265,923
2010C	3.35%	2016-20	6,770,000	990,000	1,120,000	1,120,000	22,400	9,455
2013A	4.50%	2016-34	4,000,000	<u>165,000</u>	<u>3,165,000</u>	<u>170,000</u>	<u>119,238</u>	-
				<u>\$ 1,155,000</u>	<u>\$ 15,515,000</u>	<u>\$ 1,290,000</u>	<u>\$815,438</u>	<u>\$ 606,718</u>

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

Annual debt service requirements to maturity are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,290,000	\$ 815,438	\$ 2,105,438
2021	175,000	787,863	962,863
2022	175,000	782,613	957,613
2023	180,000	777,063	957,063
2024	185,000	771,131	956,131
2025-2029	12,260,000	3,074,600	15,334,600
2030-2034	<u>1,250,000</u>	<u>143,938</u>	<u>1,393,938</u>
Total	<u>\$ 15,515,000</u>	<u>\$ 7,152,646</u>	<u>\$ 22,667,646</u>

The Series 2010A bonds were issued as “Qualified School Construction Bonds (QSCB)” pursuant to Section 54F of the Internal Revenue Code. The Series 2010B bonds were issued as “Qualified Zone Academy Bonds (QZAB)” pursuant to section 226(a) of the Taxpayer Relief Act of 1997. These designations provide that the District will be reimbursed by the federal government for any interest expense incurred on these issuances at an amount equal to the lesser of the amount of interest payable on each scheduled payment date or the amount of interest which would have been payable on such date if interest were determined at the applicable credit rate. The resulting effective interest rate for the Series 2010A and 2010B bonds at June 30, 2019 is 0.693%.

The Series 2010C bonds were issued as “Recovery Zone Economic Development Bonds (RZEDB)” under the American Recovery and Reinvestment Act (ARRA). This designation provides that the District will be reimbursed by the federal government for any interest expense incurred on this issuance equal to 45% of the amount of interest payable. The resulting effective interest rate for the Series 2010C bonds at June 30, 2019 is 3.276%.

Due to sequestration, the District anticipates receiving 93.8% of the original interest subsidy. The amounts listed as “Anticipated Interest Subsidy” reflects the reduction in subsidy due to sequestration.

The District has agreed to establish a sinking fund for redemption of the Series 2010A and 2010B bonds with required annual deposits of \$692,223 and \$555,556, respectively, beginning in 2020.

The following represents the required sinking fund deposits required for the Series 2010A and Series 2010B bonds. Actual payments may be reduced depending on investment earnings generated within the sinking fund.

<u>Years Ending June 30,</u>	<u>Series 2010A</u>	<u>Series 2010B</u>	<u>Total</u>
2020-2024	\$ 3,461,115	\$ 2,777,780	\$ 6,238,895
2025-2028	<u>2,768,892</u>	<u>2,222,224</u>	<u>4,991,116</u>
Total	<u>\$ 6,230,007</u>	<u>\$ 5,000,004</u>	<u>\$ 11,230,011</u>

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2019

B. Capital Leases

During fiscal year 2016, the District entered into a capital lease to finance the acquisition of computers, servers, and networking equipment. Annual lease payments are as follows:

Years Ending June 30,	Amount
2020	\$ 210,669
Total Minimum Lease Payments	210,669
Less: Amount Representing Interest	(4,110)
Present Value of Minimum Lease Payments	\$ 206,559

C. Special Assessment Payable

Years Ending June 30,	Principal	Interest	Total
2020	\$ 124,572	\$ 47,037	\$ 171,609
2021	108,995	41,504	150,499
2022	90,034	37,016	127,050
2023	90,034	32,528	122,562
2024	73,427	28,982	102,409
2025-2029	333,040	95,522	428,562
2030-2034	273,178	25,878	299,056
2035	3,118	-	3,118
Total	\$ 1,096,398	\$ 308,467	\$ 1,404,865

D. Severance Payable:

The Grand Forks Public School District No. 1 has adopted the following policy:

1. Requirements

- a. By August 15th of the year of retirement, the professional staff member must attain the "rule of 85" for the Teachers' Fund for Retirement of North Dakota. The employee must submit verification from the Teachers' Fund for Retirement of North Dakota of the years of creditable service effective on the date of retirement from the Grand Forks Public Schools to document that the employee meets the eligibility standards.
- b. Professional staff members who are eligible must have completed ten years of full-time (or equivalent years of part-time) employment in this school district to be eligible for early retirement. Part-time is defined to mean halftime or more. The ten years of service may, with school board approval, include authorized health restoration leave not to exceed a total of two years. In addition, five of the ten years of service must be continuous, full-time service immediately preceding the date of retirement.

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2019

2. Early Retirement Payment

- a. Early retirement payment as provided in the policy will be paid in four equal payments distributed over a four-year period beginning with the effective date of retirement. The first early retirement payment will be paid when the early retirement is effective. The remaining three payments will be paid proportionately over the next three fiscal school years.
- b. The early retirement payment provided for in this policy is based on a proportion of the staff member's current annual salary at the time the application is made. The current annual salary is the contract amount a person receives on the District's salary schedule considering years of experience and level of education. The current annual salary used in making early retirement payment calculations shall not include amounts paid for extra duty assignments and/or summer employment.
- c. The amount of early retirement incentive shall be calculated using this formula:

$$\begin{array}{r}
 \underline{\hspace{1cm}}\% \times \\
 \text{Years} \\
 \text{Service} \\
 \text{District}(*1)
 \end{array}
 \times
 \begin{array}{r}
 \$\underline{\hspace{1cm}} \\
 \text{Final} \\
 \text{Contract} \\
 \text{Amount}
 \end{array}
 =
 \begin{array}{r}
 \$\underline{\hspace{1cm}} \times \\
 \text{Incentive} \\
 \text{Amount}
 \end{array}
 \times
 \begin{array}{r}
 \underline{\hspace{1cm}}\% = \\
 \text{Reduction} \\
 \text{Factor} \\
 \text{Schedule}(*2)
 \end{array}
 =
 \begin{array}{r}
 \$\underline{\hspace{1cm}} \\
 \text{Amount} \\
 \text{Employee} \\
 \text{Receives}
 \end{array}$$

(*1) The percentage granted for years of service in the Grand Forks Public Schools will be as follows: 80% for 10-15 years of service; 85% for 16-20 years of service; 90% for 21-25 years of service; 95% for 26-30 years of service and 100% for 31 or more years of service.

(*2) Year of Eligibility is defined as the year when the employee meets the rule of 85 for the Teachers Fund For Retirement. If the employee applies for the Early Retirement after his/her first year of eligibility, the employee will receive a reduced incentive amount, as determined by the following schedule:

<u>Year of Retirement</u>	<u>Reduction Factor</u>
Year of Eligibility	100% of Incentive
Year of Eligibility + 1	90% of Incentive
Year of Eligibility + 2	80% of Incentive
Year of Eligibility + 3	70% of Incentive
Year of Eligibility + 4	60% of Incentive
Year of Eligibility + 5	50% of Incentive
Year of Eligibility + 6	40% of Incentive
Year of Eligibility + 7	30% of Incentive
Year of Eligibility + 8	20% of Incentive
Year of Eligibility + 9	10% of Incentive
Year of Eligibility + 10	0% of Incentive

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

Following is a summary of the early retirement payable:

<u>Early Retirement Incentive</u>	<u>Current Amount</u>	<u>Long-Term Amount</u>
2017		
Fiscal Year Payable		
2020	\$ 279,804	\$ -
2018		
Fiscal Year Payable		
2020	535,996	-
2021	-	535,996
2019		
Fiscal Year Payable		
2020	337,341	-
2021	-	337,341
2022	-	337,341
Totals	<u>\$ 1,153,141</u>	<u>\$ 1,210,678</u>

NOTE 7 DEFINED BENEFIT PENSION PLANS – STATEWIDE

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.

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

Pension Costs

At June 30, 2019, the District reported a liability of \$92,505,389 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2018, the Employer's proportion was 6.940377% which was a decrease of 0.119604% from its proportion measured as of June 30, 2017.

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

For the year ended June 30, 2019, the Employer recognized pension expense of \$7,678,195. At June 30, 2019, the Employer 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 economic experience	\$ 251,068	\$ 2,515,890
Changes in actuarial assumptions	5,095,961	-
Difference between projected and actual investment earnings	-	319,822
Changes in proportion	512,682	2,363,698
Contributions paid to TFFR subsequent to the measurement date	6,140,240	-
Total	<u>\$ 11,999,951</u>	<u>\$ 5,199,410</u>

The \$6,140,240 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

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

<u>Year ending June 30:</u>	<u>Pension Expense Amount</u>
2020	\$ 2,529,020
2021	1,235,883
2022	(1,032,732)
2023	(973,509)
2024	(604,975)
Thereafter	(493,386)

Actuarial Assumptions

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	4.25% to 14.50%, varying by service, including inflation and productivity
Investment rate of return	7.75%, net of investment expenses
Cost-of-living adjustments	None

For active and inactive members, mortality rates were based on the RP-2014 Employee Mortality Table, projected generationally using Scale MP-2014. For healthy retirees, mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table set back one year, multiplied by 50% for ages under 75 and grading up to 100% by age 80, projected generationally using Scale MP-2014. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table set forward four years.

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

The actuarial assumptions used were based on the results of an actuarial experience study dated April 30, 2015. They are the same as the assumptions used in the July 1, 2018, funding actuarial valuation for TFFR.

As a result of the April 30, 2015 actuarial experience study, the TFFR Board adopted several assumption changes, including the following:

- 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.

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 pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the TFFR target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58.00%	6.70%
Global Fixed Income	23.00%	1.50%
Global Real Assets	18.00%	5.10%
Cash Equivalents	1.00%	0.00%

As part of the most recent asset/liability study, the total fund real rate of return was upwardly adjusted by 0.50% to reflect a longer investment time horizon than is assumed in the investment consultant's expected returns and to account for above benchmark returns achieved through active management. In order to estimate the nominal rate of return, the real rate of return was adjusted upward by 2.75% for expected inflation.

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2019

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2018. 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, 2018, 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 June 30, 2018. 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, 2018.

Sensitivity of the Net Pension Liability

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent as of June 30, 2018, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	6.75%	7.75%	8.75%
School's proportionate share of the TFFR net pension liability:	\$ 124,909,041	\$ 92,505,389	\$ 65,555,618

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 www.nd.gov/rio/sib/publications/cafr/default.htm

Individual Retirement Accounts And Tax Sheltered Annuities (IRA and TSA)

The School District will provide matching contributions up to 5% of the non-certified staff's annual wages to an individual retirement account or tax-sheltered annuity. The School District's matching contributions to the IRA's and TSA's for the fiscal years ended June 30, 2019, 2018 and 2017, were \$525,412, \$561,307, and \$569,315, respectively.

NOTE 8 COMMITMENTS AND CONTINGENCIES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2019

Grant Programs:

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2019, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Tuition from Grand Forks Air Force Base PSD No. 140:

The Grand Forks Air Force Base Public School District No. 140 contracts with the Grand Forks Public School District to provide educational services for the pupils that reside in the Grand Forks Air Force Base District. The contract amount is tied to the amount of federal aid and state aid received for those students. The amount recorded as tuition is based, in part, on an estimate of revenue to be received from federal aid, and due to the estimates, actual results could differ from those estimates.

Land Exchange Contract with Fire Thorn LLC:

The District entered in a land exchange contract with Fire Thorn LLC during the fiscal year ended June 30, 2019. As a result of this contract, the District is expecting to receive \$120,000 during the fiscal year ending June 30, 2020. The District has designated these funds to be used for improvements to be made to one of their parking areas during the fiscal year ending June 30, 2020.

NOTE 9 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. The District carries commercial insurance for risks of loss, including workers' compensation and employee health and accident insurance.

The School District has agreed to partially self-insure claims for health insurance of District employees to a maximum liability of \$125,000 per employee and an aggregate liability of \$10,028,360. Self-insurance activities are accounted for in the Proprietary Fund. Changes in claims payable were as follows:

	2019	2018	2017
Claims Payable, July 1	\$ 366,479	\$ 660,918	\$ 1,055,222
Incurred Claims	7,730,458	7,937,400	8,626,881
Claims Paid	(7,688,047)	(8,231,839)	(9,021,185)
Claims Payable, June 30	<u>\$ 408,890</u>	<u>\$ 366,479</u>	<u>\$ 660,918</u>

The State Bonding Fund currently provides the District with blanket fidelity bond coverage with a \$2,000,000 limit of liability. The State Bonding Fund does not currently charge any premium for this coverage.

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

Settled claims resulting from these risks have not exceeded commercial insurance in any of the past three fiscal years.

NOTE 10 LEASE COMMITMENTS

The District renewed the lease of a building from the North Dakota School for the Blind as of June 30, 2015 for an additional five years. The building lease can be canceled at the end of each year. The effective annual lease payment for fiscal year 2020 is \$164,423.

The District leases a parking lot from United Lutheran Church. The term of the lease is for five years, which expires on August 31, 2023. The District has the right to terminate the lease at the end of any year within this lease term. The effective annual lease payment was \$8,000 per year.

The District leases warehouse space for the Buildings and Ground's storage from G-B Corporation. The current warehouse lease runs from October 15, 2014 to October 14, 2019 and has been renewed to run from October 15, 2019 to October 14, 2024. The effective annual lease payment for fiscal year 2020 is \$26,000.

The District leases 33 parking spaces from Century Link. The original term of the lease was from January 1, 2015 through December 31, 2015 and will renew for 5 successive periods of 1 year each. The District has the right to terminate the lease at any time. The effective annual lease payment is \$6,000 per year.

The District leases classroom and office space for the Head Start program from 4000 Valley Square. The original term of the lease was from August 1, 2018 through June 30, 2019, with the District having the option each year to renew the lease for 8 successive periods of 1 year each. The District exercised their option to extend the lease term to include the period from July 1, 2019 through June 30, 2020. The effective annual lease payment is \$10,668 per year.

The District leases space for an after-school program at LaGrave Learning Center from Grand Forks Homes, Inc. The term of the lease is from August 1, 2019 through July 31, 2020. The effective annual lease payment for fiscal year 2020 is \$2,814.

The District leases space for an after-school program at Kvasager Learning Center from Grand Forks Homes, Inc. The term of the lease is from August 1, 2019 through July 31, 2020. The effective annual lease payment for fiscal year 2020 is \$2,814.

The District leases 100 parking spaces in the Grand Forks Municipal Parking Ramp for the use of Central High School staff and students. The original term of the lease was from July 1, 2016 through June 30, 2017 and the lease automatically renews for successive one-year periods until terminated. The annual lease payment is \$35,000 per year.

The District leases alternative education space for special needs students from the City of Grand Forks. The term of the lease is from February 1, 2019 through January 31, 2021, with an option to extend the term for an additional eight years. The effective annual lease payment for fiscal year 2020 is \$42,719.

The District leases a copier from Advanced Business Methods for use at the District office. The term of the lease is from August 1, 2015 through July 31, 2020. The District plans to return the copier to Advanced Business Methods at the conclusion of the lease. The minimum annual lease payment for fiscal year 2020 is \$3,960.

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2019

The District leases a copier from Advanced Business methods for use at the District Print Shop, which services all schools in the District aside from Discovery Elementary. The term of the lease is from September 1, 2015 through August 31, 2020. The District plans to return the copier to Advanced Business Methods at the conclusion of the lease. The minimum annual lease payment for fiscal year 2020 is \$29,028.

The District leases a copier from Laser Systems for use at Discovery Elementary school. The term of the lease is from August 14, 2015 through August 13, 2020. The District plans to return the copier to Laser Systems at the conclusion of the lease. The minimum annual lease payment for fiscal year 2020 is \$2,988.

NOTE 11 NON-MONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its hot lunch program. The market value of commodities received for the year ended June 30, 2019 was \$334,888. The amount of commodities used during the fiscal year was \$334,888.

NOTE 12 FUND BALANCES

A. Classifications

At June 30, 2019, a summary of the governmental fund balance classifications are as follows:

	General Fund	Special Assessment Fund	Food Service	Building Fund	Total
Nonspendable:					
Inventory	\$ 212,847	\$ -	\$ 85,511	\$ -	\$ 298,358
Restricted:					
Special Assessments	-	105,601	-	-	105,601
Assigned:					
Food Service	-	-	2,275,150	-	2,275,150
Severance & Sick Leave	1,210,678	-	-	-	1,210,678
Unassigned	<u>14,842,481</u>	<u>-</u>	<u>-</u>	<u>(1,598,780)</u>	<u>13,243,701</u>
 Total Fund Balances	 <u>\$ 16,266,006</u>	 <u>\$ 105,601</u>	 <u>\$ 2,360,661</u>	 <u>\$ (1,598,780)</u>	 <u>\$ 17,133,488</u>

NOTE 13 DEFICIT FUND BALANCES

The following governmental funds had a deficit fund balance as of June 30, 2019:

Fund	Balance at 06/30/19
Building Fund	<u>\$ (1,598,780)</u>
 Total Fund Balance Deficits	 <u>\$ (1,598,780)</u>

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2019

The total fund balance deficit of \$1,598,780 will be reduced by future property tax levies and transfers.

NOTE 14 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2019, is as follows:

Due to/from other funds:

Receivable	Payable	Amount
General Fund	Building Fund	\$ 1,625,864
		\$ 1,625,864

The purpose of the interfund loan is to cover the cash shortages in the building fund.

NOTE 15 TAX ABATEMENTS

Grand Forks County and certain political subdivisions within the county can negotiate property tax abatement agreements with the individuals and various commercial entities/businesses. Grand Forks County and the political subdivisions within have the following types of tax abatement agreements with various individuals and commercial entities at June 30, 2019.

The District will state individually the parties whom received a benefit of the reduction in taxes of 20% or greater when compared to the total reduction of taxes for all tax abatement programs.

New and Expanding Business Exemption

Businesses that are primarily industrial, commercial, retail or service are eligible for property tax incentives for new and expanding businesses if they meet state requirements (NDCC 40.57.1-03) and the guidelines stated below.

The following criteria are only guidelines.

General criteria — The governing body of the city or county may grant a partial or complete exemption from ad valorem taxation on all buildings, structure, fixtures, and improvements used in or necessary to the operation of a project for a period not exceeding five years from the date of commencement of project operations. The governing body may also grant a partial or complete exemption from ad valorem taxation on buildings, structures, fixtures, and improvements used in or necessary to the operation of a project that produces or manufactures a product from agricultural commodities for all or part of the sixth year through the tenth year from the date of commencement of project operations.

As a result of agreements made by the county and city, the School District had a reduction in taxes as noted.

Reduction in Taxes – Due to Agreements with Other Entities

Total program reduction in taxes – \$53,245

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

Public Charity Exemption

Public Charities are eligible for property tax incentives if they meet state requirements (NDCC 57-02-08(8)) and the guidelines stated below. The following criteria are only guidelines.

All buildings belonging to institutions of public charity, including public hospitals and nursing homes licensed pursuant to section 23-16-01 under the control of religious or charitable institutions, used wholly or in part for public charity, together with the land actually occupied by such institutions not leased or otherwise used with a view to profit. The exemption provided by this subsection includes any dormitory, dwelling, or residential-type structure, together with necessary land on which such structure is located, owned by a religious or charitable organization recognized as tax exempt under section 501(c)(3) of the United States Internal Revenue Code which is occupied by members of said organization who are subject to a religious vow of poverty and devote and donate substantially all of their time to the religious or charitable activities of the owner.

Property is exempt if the qualified facility is used wholly or in part for public charity, together with the land occupied by such institutions not leased or otherwise used with a view to profit.

As a result of agreements made by the county and city, the School District had a reduction in taxes as noted.

Reduction in Taxes – Due to Agreements with Other Entities

Total program reduction in taxes – \$1,175,846

New Residence

Single Family property owners are eligible for property tax incentives for the specified property that meet state requirements (NDCC 57-02-08(35)).

General Criteria – Up to one hundred fifty thousand dollars of the true and full value of all new single-family and condominium and townhouse residential property, exclusive of the land on which it is situated, is exempt from taxation for the first two taxable years after the taxable year in which construction is completed and the residence is owned and occupied for the first time if all the following conditions are met:

a. The governing body of the city, for property within city limits, or the governing body of the county, for property outside city limits, has approved the exemption of the property by resolution. A resolution adopted under this subsection may be rescinded or amended at any time. The governing body of the city or county may limit or impose conditions upon exemptions under this subsection, including limitations on the time during which an exemption is allowed.

b. Special assessments and taxes on the property upon which the residence is situated are not delinquent.

As a result of agreements made by the county and city, the School District had a reduction in taxes as noted.

Reduction in Taxes – Due to Agreements with Other Entities

Total program reduction in taxes – \$130,220

Childhood Service Exemption

A governing body of the city, for property within city limits, or of the county, for property outside city limits, may grant a property tax exemption for the portion of fixtures, buildings, and

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

improvements, used primarily to provide early childhood services by a corporation, limited liability company, or organization licensed under NDCC 50-11.1 or used primarily as an adult day care center. (NDCC 57-02-08(36)).

This exemption is not available for property used as a residence.

As a result of agreements made by the county and city, the School District had a reduction in taxes as noted.

Reduction in Taxes – Due to Agreements with Other Entities

Total program reduction in taxes – \$10,463

Remodel Exemptions

Commercial and Residential property are eligible for property tax incentives if they meet state requirements (NDCC 57-05.2-03) and the guidelines stated below. The following criteria are only guidelines.

Under NDCC 57-02.2-03 improvements to commercial and residential buildings and structures as defined in this chapter may be exempt from assessment and taxation for up to five years from the date of commencement of making the improvements, if the exemption is approved by the governing body of the city, for property within city limits, or the governing body of the county, for property outside city limits. The governing body of the city or county may limit or impose conditions upon exemptions under this section, including limitations on the time during which an exemption is allowed. A resolution adopted by the governing body of the city or county under this section may be rescinded or amended at any time. The exemption provided by this chapter shall apply only to that part of the valuation resulting from the improvements which is over and above the assessed valuation, exclusive of the land, placed upon the building or structure for the last assessment period immediately preceding the date of commencement of the improvements. Any person, corporation, limited liability company, association, or organization owning real property and seeking an exemption under this chapter shall file with the assessor a certificate setting out the facts upon which the claim for exemption is based. The assessor shall determine whether the improvements qualify for the exemption based on the resolution of the governing body of the city or county, and if the assessor determines that the exemption should apply, upon approval of the governing body, the exemption is valid for the prescribed period and shall not terminate upon the sale or exchange of the property but shall be transferable to subsequent owners. If the certificate is not filed as herein provided, the assessor shall regard the improvements as nonexempt and shall assess them as such.

As a result of agreements made by the county and city, the School District had a reduction in taxes as noted.

Reduction in Taxes – Due to Agreements with Other Entities

Total program reduction in taxes – \$102,876

Builder Exemption

Residential properties are eligible for property tax incentives if they meet state requirements (NDCC 57-02-08(42)) and the guidelines stated below. The following criteria are only guidelines.

General Criteria:

a. New single-family residential property, exclusive of the land on which it is situated, is exempt from assessment for the taxable year in which construction began and the next two taxable years,

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

if the property remains owned by the builder, remains unoccupied, and all of the following conditions are met:

(1) The governing body of the city, for property within city limits, or the governing body of the county, for property outside city limits, has approved the exemption of property under this subsection by resolution. A resolution adopted under this subsection may be rescinded or amended at any time. The governing body of the city or county may limit or impose conditions upon exemptions under this subsection, including limitations on the time during which an exemption is allowed.

(2) Special assessments and taxes on the property upon which the residence is situated are not delinquent.

b. A builder is eligible for exemption of no more than ten properties under this subsection in a taxable year within each jurisdiction that has approved the exemption under this subsection. For purposes of this subsection, "builder" includes an individual who builds that individual's own residence.

As a result of agreements made by the county and city, the School District had a reduction in taxes as noted.

Reduction in Taxes – Due to Agreements with Other Entities
Total program reduction in taxes – \$32,641

NOTE 16 RECLASSIFICATIONS

Certain reclassifications have been made to the 2018 financial statements in order to conform with the 2019 presentation.

NOTE 17 NEW PRONOUNCEMENTS

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 90, *Majority Equity Interests*, provides guidance for reporting when a government has majority equity interest in legally separate organizations. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. If government's holding of that equity interest meets the definition of an investment, as defined by GASB No. 72, the equity interest should be reported as an investment and measured using the equity method and not as a component unit of the government. If a government's holding of a majority interest in a legally separate organization does not meet the definition of an investment, the holding of the majority equity interest results in the government being financially accountable for the organization and therefore, the government should report the legally separate organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

Management has not yet determined what effect these statements will have on the District's financial statements.

NOTE 18 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through November 27, 2019, which is the date these financial statements were available to be issued.

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Fund 10</u>	<u>Fund 61</u>	<u>Fund 62</u>	<u>Fund 65</u>	<u>General Fund Actual</u>	<u>Original and Final Budget</u>	<u>Over (Under) Budget</u>
Revenues							
Property Taxes	\$ 19,535,413	\$ -	\$ -	\$ -	\$ 19,535,413	\$ 19,800,000	\$ (264,587)
Payments in Lieu of Taxes	596,309	-	-	-	596,309	600,000	(3,691)
Other Local Sources	452,196	9,730	20,924	342,548	825,398	394,536	430,862
Intergovernmental	76,062,262	-	-	403,332	76,465,594	76,904,426	(438,832)
Charges for Services	5,062,978	354,630	164,994	-	5,582,602	5,121,000	461,602
Contributions and Donations	20,038	450	750	-	21,238	20,038	1,200
Investment Income	557,683	-	-	-	557,683	250,000	307,683
Total Revenues	<u>102,286,879</u>	<u>364,810</u>	<u>186,668</u>	<u>745,880</u>	<u>103,584,237</u>	<u>103,090,000</u>	<u>494,237</u>
Expenditures							
Current:							
Instruction:							
Regular	46,614,438	-	-	-	46,614,438	47,695,649	(1,081,211)
Special Education	16,367,610	-	-	-	16,367,610	16,384,243	(16,633)
Career Technical Education	3,072,729	-	-	408,819	3,481,548	2,593,794	887,754
Headstart	1,408,048	-	-	-	1,408,048	1,420,988	(12,940)
Total Instruction	<u>67,462,825</u>	<u>-</u>	<u>-</u>	<u>408,819</u>	<u>67,871,644</u>	<u>68,094,674</u>	<u>(223,030)</u>
Support Services:							
Pupil and Instructional Staff Services	10,940,684	-	84	-	10,940,768	11,811,810	(871,042)
Headstart	359,772	-	-	-	359,772	356,758	3,014
Special Education	2,343,627	-	-	-	2,343,627	2,599,403	(255,776)
Career Technical Education	315,680	-	-	101,506	417,186	301,323	115,863
General Administrative Services	1,283,093	-	-	161,907	1,445,000	1,260,136	184,864
School Administrative Services	5,600,646	-	-	-	5,600,646	5,496,787	103,859
Business Services	1,953,783	-	-	-	1,953,783	2,099,045	(145,262)
Operations and Maintenance	8,326,582	-	-	-	8,326,582	8,550,511	(223,929)
Pupil Transportation Services	1,434,650	1,601	-	1,580	1,437,831	1,509,309	(71,478)
Extracurricular	2,772,503	895,783	177,420	878	3,846,584	2,986,711	859,873
Food Services	7,533	-	-	-	7,533	13,750	(6,217)
Community Services	529,296	-	-	-	529,296	548,353	(19,057)
Capital Outlay	1,303,708	-	11,041	5,148	1,319,897	1,623,728	(303,831)
Debt Service:							
Principal	202,527	-	-	-	202,527	-	202,527
Interest	8,141	-	-	-	8,141	-	8,141
Total Support Services	<u>37,382,225</u>	<u>897,384</u>	<u>188,545</u>	<u>271,019</u>	<u>38,739,173</u>	<u>39,157,624</u>	<u>(418,451)</u>
Total Expenditures	<u>104,845,050</u>	<u>897,384</u>	<u>188,545</u>	<u>679,838</u>	<u>106,610,817</u>	<u>107,252,298</u>	<u>(641,481)</u>
Revenues Over(Under) Expenditures	<u>(2,558,171)</u>	<u>(532,574)</u>	<u>(1,877)</u>	<u>66,042</u>	<u>(3,026,580)</u>	<u>(4,162,298)</u>	<u>1,135,718</u>
Other Financing Sources (Uses)							
Proceeds from Sale of Capital Assets	746,446	-	-	-	746,446	410,000	336,446
Transfers In	-	532,573	-	-	532,573	-	532,573
Transfers Out	(532,573)	-	-	-	(532,573)	(550,000)	17,427
Total Other Financing Sources (Uses)	<u>213,873</u>	<u>532,573</u>	<u>-</u>	<u>-</u>	<u>746,446</u>	<u>(140,000)</u>	<u>886,446</u>
Net Change in Fund Balances	<u>(2,344,298)</u>	<u>(1)</u>	<u>(1,877)</u>	<u>66,042</u>	<u>(2,280,134)</u>	<u>(4,302,298)</u>	<u>2,022,164</u>
Fund Balances, Beginning of Year	<u>18,097,345</u>	<u>-</u>	<u>83,507</u>	<u>365,288</u>	<u>18,546,140</u>	<u>18,546,140</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 15,753,047</u>	<u>\$ (1)</u>	<u>\$ 81,630</u>	<u>\$ 431,330</u>	<u>\$ 16,266,006</u>	<u>\$ 14,243,842</u>	<u>\$ 2,022,164</u>

See Note to the Budgetary Comparison Schedules

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE FOR THE SPECIAL ASSESSMENT FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Special Assessment Actual</u>	<u>Original and Final Budget</u>	<u>Over (Under) Budget</u>
Revenues			
Property Taxes	\$ 454,600	\$ 460,000	\$ (5,400)
Total Revenues	<u>454,600</u>	<u>460,000</u>	<u>(5,400)</u>
Expenditures			
Support Services:			
Debt Service:			
Principal	124,510	300,000	(175,490)
Total Support Services	<u>74,268</u>	<u>-</u>	<u>74,268</u>
Total Expenditures	<u>198,778</u>	<u>300,000</u>	<u>(101,222)</u>
Net Change in Fund Balances	255,822	160,000	95,822
Fund Balances, Beginning of Year	<u>(150,221)</u>	<u>(150,221)</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 105,601</u>	<u>\$ 9,779</u>	<u>\$ 95,822</u>

See Note to the Budgetary Comparison Schedules

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTE TO THE BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING:

The District's board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School District, annually on or before the last day of July, must levy taxes. The governing body of the School District may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year. Taxes for School District purposes must be based upon an itemized budget statement which must show the complete expenditure by program of the District for the current fiscal year and the sources of the revenue from which it is to be financed. The school board, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the District and to provide a sinking fund to pay and discharge the principal thereon at maturity. Although the food service fund is a major special revenue fund, it is not included in the Budgetary Comparison Schedule because the District did not legally adopt a budget for the food service fund.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The administration prepares the District's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.
2. The Board reviews the budget, may make revisions, and adopts the final budget on or before September 30 of each year. The budget is then filed with the county auditor by October 10 of each year.
3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10 of each year. The budget amounts shown in the financial statements are the final authorized amounts.
4. All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

Expenditures in the general fund were under budget by \$641,481 for the year ended June 30, 2019.

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO TFFR RETIREMENT PLAN
LAST TEN YEARS

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions			Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
		\$	(6,140,240)	(6,015,621)			
2019	\$ 6,140,240	\$	(6,140,240)	-	\$ 48,134,845	12.76%	
2018	6,015,621		(6,015,621)	-	47,178,383	12.75%	
2017	6,075,739		(6,075,739)	-	47,588,365	12.77%	
2016	5,850,866		(5,850,866)	-	45,793,480	12.78%	
2015	5,478,826		(5,478,826)	-	42,971,154	12.75%	

The amounts presented for each fiscal year were determined as of the District's year end which is June 30th.

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for prior years is not available.

See Note to the Required Supplementary Information

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its		Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
				Covered-employee Payroll	Payroll	
2018	6.94037677%	\$ 92,505,389	\$ 47,178,383	196.08%		65.50%
2017	7.05998058%	96,970,651	47,588,365	203.77%		63.20%
2016	7.06285618%	103,474,979	45,793,480	225.96%		59.20%
2015	6.98598800%	91,366,606	42,971,154	212.62%		62.10%
2014	7.19546400%	75,395,706	41,737,522	180.64%		66.60%

The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability which is June 30 of the previous fiscal year.

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for prior years is not available.

See Note to the Required Supplementary Information

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 CHANGES OF ASSUMPTIONS

TFFR

Amounts reported in 2019 reflect actuarial assumption changes effective July 1, 2018 based on the results of an actuarial experience study completed in April 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.

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

To the Board of Education
Grand Forks Public School District No. 1
Grand Forks, North Dakota

We 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, each major fund, and the aggregate remaining fund information of the Grand Forks Public School District No. 1 as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 27, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with 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*.

Purpose of this Report

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



BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

November 27, 2019

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

To the Board of Education
Grand Forks Public School District No. 1
Grand Forks, North Dakota

Report on Compliance for Each Major Federal Program

We have audited Grand Forks Public School District No. 1's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Grand Forks Public School District No. 1 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

November 27, 2019

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass- Through Number	Federal CFDA Number	Passed- Through to Subrecipients	Amount
<u>U.S. Department of Education</u>				
Direct Programs:				
Indian Elementary and Secondary School Assistance		84.060A		\$ 76,900
Total Direct				<u>76,900</u>
Indirect Programs:				
Passed Through North Dakota Department of Public Instruction:				
Adult Education State Grant Program	N/A	84.002		97,860
21st Century Community Learning Centers	N/A	84.287	\$ 95,722	727,576
Title IV: Student Support and Academic Enrichment	N/A	84.424		327,403
Title III: Language Instruction for LEP & Immigrant	N/A	84.365		23,663
Title II, Part A	N/A	84.367		727,232
Title I	N/A	84.010		2,678,923
Passed Through North Dakota Department of Public Instruction:				
<i>Special Education Cluster:</i>				
Special Education Grants to States	N/A	84.027		2,098,795
Special Education Preschool Grants	N/A	84.173		69,124
<i>Total Special Education Cluster</i>				<u>2,167,919</u>
Passed Through North Dakota Department of Career & Technical Education				
Carl Perkins	N/A	84.048A		<u>213,708</u>
Total Indirect				<u>6,964,284</u>
Total U.S. Department of Education				<u>7,041,184</u>
<u>U.S. Department of Agriculture</u>				
Indirect Programs:				
Passed Through North Dakota Department of Public Instruction				
Fresh Fruits and Vegetables	N/A	10.582		120,683
CN Schools Meals Equipment Grant	N/A	10.579		2,772
Child and Adult Care Food Program	N/A	10.558		132,949
<i>Child Nutrition Cluster:</i>				
School Breakfast Program	N/A	10.553		465,149
National School Lunch Program	N/A	10.555		1,455,189
Commodity Distribution (Nonmonetary Assistance)	N/A	10.555		334,888
Summer Food Program	N/A	10.559		32,636
<i>Total Child Nutrition Cluster</i>				<u>2,287,862</u>
Total U.S. Department of Agriculture				<u>2,544,266</u>

See Notes to the Schedule of Expenditures of Federal Awards

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass- Through Number	Federal CFDA Number	Passed- Through to Subrecipients	Amount
<u>U.S. Department of Health and Human Services</u>				
Direct Programs:				
Head Start		93.600		2,621,867
Indirect Programs:				
Passed through Altru Health System				
Drug-Free Communities Support Program		93.276		22,531
Passed through Lutheran Social Services				
Refugee and Entrant Assistance Grant State/Replacement		93.566		<u>17,757</u>
Total U.S. Department of Health and Human Services				<u>2,662,155</u>
Total Federal Awards				<u>\$12,247,605</u>
Reconciliation of Schedule of Expenditures of Federal Awards to the Financial Statements:				
Intergovernmental Revenue:				\$79,048,498
State Funded Revenues:				<u>66,800,893</u>
Federal Funded Revenues:				<u>\$12,247,605</u>

See Notes to the Schedule of Expenditures of Federal Awards

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 2 INDIRECT COST RATE

Grand Forks Public School District No. 1 has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Grand Forks Public School District No. 1 under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Grand Forks Public School District No. 1, it is not intended to and does not present the financial position or change in net position of Grand Forks Public School District No. 1.

NOTE 4 NON-MONETARY TRANSACTIONS

The District receives commodities through the food distribution program and the assistance is valued at the fair value of the commodities received and disbursed. During the year, the District received \$334,888 for commodities and used \$334,888 in commodities.

NOTE 5 PASS-THROUGH ENTITIES

All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants, and have not assigned any additional identifying numbers.

NOTE 6 SUBRECIPIENT TRANSACTIONS

The District acts as the fiscal agent for the 21st Century Community Learning Centers grant. Funds that have been provided to others are as follows:

Emerado	\$ 68,028
Lutheran Social Services	<u>27,694</u>
Total	<u>\$ 95,722</u>

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
Material weakness(es) identified? yes no
Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

Non-compliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:
Material weakness(es) identified? yes no
Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027 & 84.173	Special Education Cluster
10.553, 10.555, & 10.559	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? yes no

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

There are no findings which are required to be reported in this section.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no findings which are required to be reported in this section.

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

There are no findings which are required to be reported under this section.