

**GRENORA PUBLIC SCHOOL DISTRICT NO. 99
GRENORA, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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GRENORA PUBLIC SCHOOL DISTRICT NO. 99
ROSTER OF SCHOOL OFFICIALS
JUNE 30, 2019 AND 2018

June 30, 2019

| | |
|-------------------|------------------|
| Laverne Johnson | Board President |
| Rick Foss | Vice President |
| Nicole Wright | Board Member |
| Carlyle Norby | Board Member |
| Robert Field | Board Member |
| Brent Peterson | Board Member |
| Carrie Edwards | Board Member |
| Troy Walters | Superintendent |
| Jennifer McNamara | Business Manager |

June 30, 2018

| | |
|-------------------|------------------|
| Lavern Johnson | Board President |
| Rick Foss | Vice President |
| Nicole Wright | Board Member |
| Carlyle Norby | Board Member |
| Brent Peterson | Board Member |
| Robert Field | Board Member |
| Carrie Edwards | Board Member |
| Troy Walters | Superintendent |
| Jennifer McNamara | Business Manager |

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Grenora Public School District No. 99
Grenora, 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 Grenora Public School District, as of and for the years ended June 30, 2019 and 2018, 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 audits 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 Grenora Public School District, as of June 30, 2019 and 2018, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Correction of Errors

As described in Note 15 to the financial statements, the District has recorded prior period adjustments to its June 30, 2017 financial statements to record a prior year receivable, to reclassify the Little Gopher Daycare from a fiduciary fund to a special revenue fund, to record the amount owed from the Little Gopher Daycare fund to the General fund and to record the cash received for flex accounts that is in the District's bank accounts in the fiduciary fund.

Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of employer's contributions - pension, and schedule of employer'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.

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

Other Information

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 April 30, 2020 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.
BISMARCK, NORTH DAKOTA**

April 30, 2020

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
STATEMENTS OF NET POSITION
JUNE 30, 2019 AND 2018

| | 2019 | 2018 |
|--------------------------------------------------|---------------------|---------------------|
| ASSETS | | |
| Cash and Investments | \$ 3,487,352 | \$ 3,005,636 |
| Taxes Receivable | 130,848 | 78,835 |
| Due from Other Governments | 226,093 | 85,610 |
| Total Current Assets | 3,844,293 | 3,170,081 |
| Capital Assets | | |
| Land | 36,157 | 36,157 |
| Buildings | 11,484,771 | 11,481,771 |
| Equipment | 1,117,977 | 1,055,865 |
| Vehicles | 554,726 | 636,601 |
| Less Accumulated Depreciation | (2,260,917) | (1,892,086) |
| Total Capital Assets, Net of Depreciation | 10,932,714 | 11,318,308 |
| TOTAL ASSETS | 14,777,007 | 14,488,389 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Cost Sharing Defined Benefit Pension Plan - TFFR | 378,790 | 440,709 |
| LIABILITIES | | |
| Accounts Payable | 3,947 | 10,926 |
| Bonds Payable Due Within One Year | 378,020 | 361,311 |
| Bond Premium Due Within One Year | 1,679 | 1,679 |
| Total Current Liabilities | 383,646 | 373,916 |
| Long-Term Liabilities | | |
| Bonds Payable (Net of Current Maturities) | 7,700,883 | 8,067,241 |
| Premium on Bonds Payable | 24,232 | 25,911 |
| Net Pension Liability | 2,325,191 | 2,374,420 |
| Total Non-Current Liabilities | 10,050,306 | 10,467,572 |
| TOTAL LIABILITIES | 10,433,952 | 10,841,488 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Cost Sharing Defined Benefit Pension Plan - TFFR | 117,051 | 82,125 |
| NET POSITION | | |
| Net Investment in Capital Assets | 2,827,900 | 2,862,166 |
| Restricted for: | | |
| Debt Service | 1,446,304 | 1,135,598 |
| Capital Projects | 1,316,044 | 1,119,499 |
| Unrestricted | (985,454) | (1,111,778) |
| TOTAL NET POSITION | \$ 4,604,794 | \$ 4,005,485 |

See Notes to the Financial Statements

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Net (Expense) Revenue and Changes in Net Position |
|---------------------------------------------------|---------------------|-------------------------|------------------------------------------|---------------------------------------------------------|
| GOVERNMENTAL ACTIVITIES | | | | |
| Regular Programs | \$ 1,841,958 | \$ - | \$ 562,368 | \$ (1,279,590) |
| Special Education | 125,625 | - | - | (125,625) |
| Other Programs and Services | 142,659 | 64,791 | - | (77,868) |
| District Wide Services | 185,413 | - | - | (185,413) |
| Administration | 460,939 | - | - | (460,939) |
| Operations and Maintenance | 876,494 | - | - | (876,494) |
| Food Services | 160,401 | 34,007 | 48,168 | (78,226) |
| Transportation | 411,100 | - | 100,034 | (311,066) |
| Student Activities | 135,639 | - | - | (135,639) |
| Interest and Service Fees | 163,427 | - | - | (163,427) |
| TOTAL GOVERNMENTAL ACTIVITIES | \$ 4,503,655 | \$ 98,798 | \$ 710,570 | (3,694,287) |
| GENERAL REVENUES | | | | |
| Property Taxes, Levied for General Purposes | | | | 2,236,831 |
| Aids and Payments from the State | | | | 1,622,349 |
| Oil, Gas and Coal Production | | | | 417,473 |
| Earnings on Investments and Miscellaneous Revenue | | | | 16,943 |
| TOTAL GENERAL REVENUES | | | | 4,293,596 |
| Change in Net Position | | | | 599,309 |
| Net Position - Beginning | | | | 4,005,485 |
| Net Position - Ending | | | | \$ 4,604,794 |

See Notes to the Financial Statements

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Net (Expense) Revenue and Changes in Net Position |
|---------------------------------------------------|---------------------|-------------------------|------------------------------------------|---------------------------------------------------------|
| GOVERNMENTAL ACTIVITIES | | | | |
| Regular Programs | \$ 1,599,414 | \$ - | \$ 412,886 | \$ (1,186,528) |
| Special Education | 133,957 | - | - | (133,957) |
| Other Programs and Services | 77,360 | 74,341 | - | (3,019) |
| District Wide Services | 189,246 | - | - | (189,246) |
| Administration | 421,231 | - | - | (421,231) |
| Operations and Maintenance | 834,449 | - | - | (834,449) |
| Food Services | 157,652 | 30,973 | 49,781 | (76,898) |
| Transportation | 326,580 | - | 122,094 | (204,486) |
| Student Activities | 129,577 | - | - | (129,577) |
| Interest and Service Fees | 148,037 | - | - | (148,037) |
| TOTAL GOVERNMENTAL ACTIVITIES | \$ 4,017,503 | \$ 105,314 | \$ 584,761 | (3,327,428) |
| GENERAL REVENUES | | | | |
| Property Taxes, Levied for General Purposes | | | | 2,498,668 |
| Aids and Payments from the State | | | | 1,486,718 |
| Oil, Gas and Coal Production | | | | 349,674 |
| Earnings on Investments and Miscellaneous Revenue | | | | 49,005 |
| TOTAL GENERAL REVENUES | | | | 4,384,065 |
| Change in Net Position | | | | 1,056,637 |
| Net Position - Beginning | | | | 3,185,587 |
| Prior Period Adjustment | | | | (236,739) |
| Net Position - Beginning As Restated | | | | 2,948,848 |
| Net Position - Ending | | | | \$ 4,005,485 |

See Notes to the Financial Statements

GRE Nora PUBLIC SCHOOL DISTRICT NO. 99
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2019

| | General Fund | Food Service Fund | Debt Service Fund | Capital Projects Fund | Little Gopher Daycare | Total Governmental Funds |
|----------------------------------------------------------------------------|---------------------|----------------------|----------------------|--------------------------|--------------------------|--------------------------------|
| ASSETS | | | | | | |
| Cash | \$ 16,874 | \$ 22,758 | \$ 1,577,841 | \$ 1,299,899 | \$ 216,195 | \$ 3,133,567 |
| Investments | 353,785 | - | - | - | - | 353,785 |
| Taxes Receivable | 70,904 | - | 50,064 | 9,880 | - | 130,848 |
| Due from Other Governments | 226,093 | - | - | - | - | 226,093 |
| Due from Other Funds | 644,969 | - | 63,974 | 15,319 | - | 724,262 |
| TOTAL ASSETS | \$ 1,312,625 | \$ 22,758 | \$ 1,691,879 | \$ 1,325,098 | \$ 216,195 | \$ 4,568,555 |
| LIABILITIES | | | | | | |
| Accounts Payable | \$ 3,947 | \$ - | \$ - | \$ - | \$ - | \$ 3,947 |
| Due to Other Funds | 79,293 | - | 199,820 | - | 445,149 | 724,262 |
| TOTAL LIABILITIES | 83,240 | - | 199,820 | - | 445,149 | 728,209 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable Revenue - Delinquent Taxes | 62,894 | - | 45,755 | 9,054 | - | 117,703 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 62,894 | - | 45,755 | 9,054 | - | 117,703 |
| FUND BALANCES | | | | | | |
| Restricted | - | - | 1,446,304 | 1,316,044 | - | 2,762,348 |
| Assigned | - | 22,758 | - | - | - | 22,758 |
| Unassigned | 1,166,491 | - | - | - | (228,954) | 937,537 |
| TOTAL FUND BALANCES | 1,166,491 | 22,758 | 1,446,304 | 1,316,044 | (228,954) | 3,722,643 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | \$ 1,312,625 | \$ 22,758 | \$ 1,691,879 | \$ 1,325,098 | \$ 216,195 | \$ 4,568,555 |

See Notes to the Financial Statements

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2018

| | General Fund | Food Service Fund | Debt Service Fund | Capital Projects Fund | Little Gopher Daycare | Total Governmental Funds |
|----------------------------------------------------------------------------|---------------------|----------------------|----------------------|--------------------------|--------------------------|--------------------------------|
| ASSETS | | | | | | |
| Cash | \$ 143,717 | \$ 36,526 | \$ 1,269,683 | \$ 1,103,732 | \$ 196,983 | \$ 2,750,641 |
| Investments | 254,995 | - | - | - | - | 254,995 |
| Taxes Receivable | 45,982 | - | 26,381 | 6,472 | - | 78,835 |
| Due from Other Governments | 85,610 | - | - | - | - | 85,610 |
| Due from Other Funds | 568,932 | - | 63,974 | 15,319 | - | 648,225 |
| TOTAL ASSETS | \$ 1,099,236 | \$ 36,526 | \$ 1,360,038 | \$ 1,125,523 | \$ 196,983 | \$ 3,818,306 |
| LIABILITIES | | | | | | |
| Accounts Payable | \$ 10,926 | \$ - | \$ - | \$ - | \$ - | \$ 10,926 |
| Due to Other Funds | 79,293 | - | 199,820 | - | 369,112 | 648,225 |
| TOTAL LIABILITIES | 90,219 | - | 199,820 | - | 369,112 | 659,151 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable Revenue - Delinquent Taxes | 38,225 | - | 24,620 | 6,024 | - | 68,869 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 38,225 | - | 24,620 | 6,024 | - | 68,869 |
| FUND BALANCES | | | | | | |
| Restricted | - | - | 1,135,598 | 1,119,499 | - | 2,255,097 |
| Assigned | - | 36,526 | - | - | - | 36,526 |
| Unassigned | 970,792 | - | - | - | (172,129) | 798,663 |
| TOTAL FUND BALANCES | 970,792 | 36,526 | 1,135,598 | 1,119,499 | (172,129) | 3,090,286 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | \$ 1,099,236 | \$ 36,526 | \$ 1,360,038 | \$ 1,125,523 | \$ 196,983 | \$ 3,818,306 |

See Notes to the Financial Statements

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2019

| | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|---------------------|
| Total fund balances - governmental funds | | \$ 3,722,643 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in government funds: | | |
| Cost of capital assets | \$ 13,193,631 | |
| Less: accumulated depreciation | <u>2,260,917</u> | |
| Net | | 10,932,714 |
| 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. | | |
| | | 261,739 |
| 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 deferred in the funds. | | |
| | | 117,703 |
| Bond premiums that are amortized over the life of the debt issue | | |
| | | (25,911) |
| Long-term liabilities, including special assessments, are not due and payable in the current period and therefore, are not recorded as liabilities in the governmental funds. | | |
| Bonds Payable | | (8,078,903) |
| Net Pension Liability | | <u>(2,325,191)</u> |
| Net Position - Governmental Activities | | <u>\$ 4,604,794</u> |

See Notes to the Financial Statements

GRE Nora PUBLIC SCHOOL DISTRICT NO. 99
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2018

| | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|---------------------|
| Total fund balances - governmental funds | | \$ 3,090,286 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in government funds: | | |
| Cost of capital assets | \$ 13,210,394 | |
| Less: accumulated depreciation | <u>1,892,086</u> | |
| Net | | 11,318,308 |
| 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. | | |
| | | 358,584 |
| 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 deferred in the funds. | | |
| | | 68,869 |
| Bond premiums that are amortized over the life of the debt issue | | |
| | | (27,590) |
| Long-term liabilities, including special assessments, are not due and payable in the current period and therefore, are not recorded as liabilities in the governmental funds. | | |
| Bonds Payable | | (8,428,552) |
| Net Pension Liability | | <u>(2,374,420)</u> |
| Net Position - Governmental Activities | | <u>\$ 4,005,485</u> |

See Notes to the Financial Statements

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

| | General Fund | Food Service Fund | Debt Service Fund | Capital Projects Fund | Little Gopher Daycare | Total Governmental Funds |
|--------------------------------------------------------------|---------------------|----------------------|----------------------|--------------------------|--------------------------|--------------------------------|
| REVENUES | | | | | | |
| Local Sources | \$ 2,042,216 | \$ 34,007 | \$ 859,686 | \$ 170,940 | \$ 64,791 | \$ 3,171,640 |
| State Sources | 1,711,973 | 3,665 | - | - | 6,745 | 1,722,383 |
| Federal Sources | 111,939 | 48,168 | - | - | - | 160,107 |
| TOTAL REVENUES | 3,866,128 | 85,840 | 859,686 | 170,940 | 71,536 | 5,054,130 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Regular Programs | 1,794,342 | - | - | - | - | 1,794,342 |
| Special Education | 125,625 | - | - | - | - | 125,625 |
| Other Programs and Services | 142,659 | - | - | - | - | 142,659 |
| District Wide Services | 185,413 | - | - | - | - | 185,413 |
| Administration | 462,618 | - | - | - | - | 462,618 |
| Operations and Maintenance | 347,352 | - | - | 15,187 | 128,361 | 490,900 |
| Food Services | 60,793 | 99,608 | - | - | - | 160,401 |
| Transportation | 348,988 | - | - | - | - | 348,988 |
| Student Activities | 135,639 | - | - | - | - | 135,639 |
| Capital Outlay: | - | - | - | 62,112 | - | 62,112 |
| Debt Service: | | | | | | |
| Principal Retirement | - | - | - | 349,649 | - | 349,649 |
| Interest and Service Fees | - | - | - | 163,427 | - | 163,427 |
| TOTAL EXPENDITURES | 3,603,429 | 99,608 | - | 590,375 | 128,361 | 4,421,773 |
| Excess (Deficiency) of Revenues over (under) Expenditures | 262,699 | (13,768) | 859,686 | (419,435) | (56,825) | 632,357 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers In | - | - | - | 615,980 | - | 615,980 |
| Transfers Out | (67,000) | - | (548,980) | - | - | (615,980) |
| TOTAL OTHER FINANCING SOURCES (USES) | (67,000) | - | (548,980) | 615,980 | - | - |
| Excess (Deficiency) of Revenues over Expenditures | 195,699 | (13,768) | 310,706 | 196,545 | (56,825) | 632,357 |
| Fund Balance - Beginning of Year | 970,792 | 36,526 | 1,135,598 | 1,119,499 | (172,129) | 3,090,286 |
| Fund Balance - End of Year | <u>\$ 1,166,491</u> | <u>\$ 22,758</u> | <u>\$ 1,446,304</u> | <u>\$ 1,316,044</u> | <u>\$ (228,954)</u> | <u>\$ 3,722,643</u> |

See Notes to the Financial Statements

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

| | General Fund | Food Service Fund | Debt Service Fund | Capital Projects Fund | Little Gopher Daycare | Total Governmental Funds |
|--------------------------------------------------------------|-------------------|----------------------|----------------------|--------------------------|--------------------------|--------------------------------|
| REVENUES | | | | | | |
| Local Sources | \$ 2,124,195 | \$ 30,973 | \$ 742,604 | \$ 190,708 | \$ 74,341 | \$ 3,162,821 |
| State Sources | 1,823,312 | 6,046 | - | - | 7,034 | 1,836,392 |
| Federal Sources | 87,508 | 49,781 | - | - | - | 137,289 |
| TOTAL REVENUES | 4,035,015 | 86,800 | 742,604 | 190,708 | 81,375 | 5,136,502 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Regular Programs | 1,519,408 | - | - | - | - | 1,519,408 |
| Special Education | 133,957 | - | - | - | - | 133,957 |
| Other Programs and Services | 77,360 | - | - | - | - | 77,360 |
| District Wide Services | 189,246 | - | - | - | - | 189,246 |
| Administration | 421,231 | - | - | - | - | 421,231 |
| Operations and Maintenance | 333,941 | - | - | 203,871 | 157,721 | 695,533 |
| Food Services | 56,690 | 100,962 | - | - | - | 157,652 |
| Transportation | 326,580 | - | - | - | - | 326,580 |
| Student Activities | 129,577 | - | - | - | - | 129,577 |
| Capital Outlay: | - | - | - | 109,063 | - | 109,063 |
| Debt Service: | | | | | | |
| Principal Retirement | - | - | - | 393,368 | - | 393,368 |
| Interest and Service Fees | - | - | - | 148,037 | - | 148,037 |
| TOTAL EXPENDITURES | 3,187,990 | 100,962 | - | 854,339 | 157,721 | 4,301,012 |
| Excess (Deficiency) of Revenues over (under) Expenditures | 847,025 | (14,162) | 742,604 | (663,631) | (76,346) | 835,490 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers In | - | - | - | 1,334,560 | - | 1,334,560 |
| Transfers Out | (752,116) | - | (582,444) | - | - | (1,334,560) |
| TOTAL OTHER FINANCING SOURCES (USES) | (752,116) | - | (582,444) | 1,334,560 | - | - |
| Excess (Deficiency) of Revenues over Expenditures | 94,909 | (14,162) | 160,160 | 670,929 | (76,346) | 835,490 |
| Fund Balance - beginning as previously stated | 628,051 | 50,688 | 876,002 | 448,570 | - | 2,003,311 |
| Prior period adjustment | 247,832 | - | 99,436 | - | (95,783) | 251,485 |
| Fund Balance - beginning of year restated | 875,883 | 50,688 | 975,438 | 448,570 | (95,783) | 2,254,796 |
| Fund Balance - End of Year | \$ 970,792 | \$ 36,526 | \$ 1,135,598 | \$ 1,119,499 | \$ (172,129) | \$ 3,090,286 |

See Notes to the Financial Statements

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Total net changes in fund balances - Governmental Funds \$ 632,357

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 the useful lives as depreciation expense.

| | | |
|----------------------|------------------|-----------|
| Capital Outlays | \$ 62,112 | |
| Depreciation Expense | <u>(393,220)</u> | (331,108) |

| | |
|--------------------------------------|----------|
| Gain (Loss) on Disposition of Assets | (54,486) |
|--------------------------------------|----------|

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position. | 349,649 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|

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 :

| | |
|------------------------------------------|--------|
| Net change in unavailable property taxes | 48,834 |
|------------------------------------------|--------|

| | |
|----------------------------------------------------------------------------------------|----------|
| Changes in deferred outflows and inflows of resources related to net pension liability | (96,845) |
|----------------------------------------------------------------------------------------|----------|

| | |
|------------------------------------------------------|-------|
| Amortization of premiums received from bond issuance | 1,679 |
|------------------------------------------------------|-------|

| | |
|---------------------------------|---------------|
| Change in net pension liability | <u>49,229</u> |
|---------------------------------|---------------|

| | |
|--------------------------------------------------|--------------------------|
| Change in net position - Governmental Activities | <u><u>\$ 599,309</u></u> |
|--------------------------------------------------|--------------------------|

See Notes to the Financial Statements

GRE Nora PUBLIC SCHOOL DISTRICT NO. 99
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Total net changes in fund balances - Governmental Funds \$ 835,490

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 the useful lives as depreciation expense.

| | | |
|----------------------|------------------|----------|
| Capital Outlays | \$ 109,063 | |
| Depreciation Expense | <u>(135,567)</u> | (26,504) |

| | |
|--------------------------------------|---------|
| Gain (Loss) on Disposition of Assets | (5,028) |
|--------------------------------------|---------|

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position. | 393,368 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|

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 items consisted of the (increase)/decrease in:

| | |
|----------------------|-------|
| Compensated Absences | 5,310 |
|----------------------|-------|

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 :

| | |
|------------------------------------------|----------|
| Net change in unavailable property taxes | (62,362) |
|------------------------------------------|----------|

| | |
|----------------------------------------------------------------------------------------|-----------|
| Changes in deferred outflows and inflows of resources related to net pension liability | (277,524) |
|----------------------------------------------------------------------------------------|-----------|

| | |
|------------------------------------------------------|-------|
| Amortization of premiums received from bond issuance | 1,679 |
|------------------------------------------------------|-------|

| | |
|---------------------------------|----------------|
| Change in net pension liability | <u>192,208</u> |
|---------------------------------|----------------|

| | |
|--------------------------------------------------|----------------------------|
| Change in net position - Governmental Activities | <u><u>\$ 1,056,637</u></u> |
|--------------------------------------------------|----------------------------|

See Notes to the Financial Statements

GRE Nora PUBLIC SCHOOL DISTRICT NO. 99
STATEMENT OF ASSETS AND LIABILITIES – FIDUCIARY FUND
JUNE 30, 2019 AND 2018

| | 2019 | 2018 |
|--------------------------------|------------------|------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 29,929 | \$ 29,388 |
| TOTAL ASSETS | \$ 29,929 | \$ 29,388 |
| LIABILITIES | | |
| Due to Student Groups | \$ 19,022 | \$ 21,519 |
| Flexible Benefits Due to Staff | 10,907 | 7,869 |
| TOTAL LIABILITIES | \$ 29,929 | \$ 29,388 |

See Notes to the Financial Statements

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Grenora Public School District operates the public school in the City of Grenora, North Dakota. There is one school that encompasses grades K-12.

Financial 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, there are no component units to be included within the District's reporting entity.

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, grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District.

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019 AND 2018

As a general rule, the effect of interfund activity has been eliminated from the district-wide statements.

The Government-wide financial statements do not include fiduciary funds of 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. All funds are shown as major in the fund financial statements. The fiduciary fund is reported by type.

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, deferred inflows of resources, and liabilities. The District's major governmental funds are as follows:

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

Food Service Fund - This fund accounts for the activity and financial resources that support the District's hot lunch program.

Debt Service Fund - The Debt Service fund is used to account for the accumulation of resources for, and the payments of, general long-term debt principal, interest, and related costs.

Capital Projects Fund - The Capital Projects fund is used to account for the acquisition, construction, maintenance and insurance of major facilities.

Little Gopher Daycare Fund - This fund is used to account for the activity that supports the daycare to provide the service to District employees.

The District does not have any non-major governmental funds as all are shown as major.

GREMORA PUBLIC SCHOOL DISTRICT NO. 99
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019 AND 2018

Fiduciary Funds

The District has two fiduciary funds. These agency funds are custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The District's agency funds consists of the following:

Student Activity Fund - This fund is used to account for various deposits of the student activity funds.

Flex Account - This fund is used to account for various deposits of staff members to pay for items such as medical expenditures that are held for them by the District.

Measurement Focus

Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred inflows and outflows of resources, and liabilities 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 and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance reports on the sources and uses of current financial resources.

The current financial resources measurement focus 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.

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 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.

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019 AND 2018

Budgets and Budgetary Accounting

Based upon available financial information and requests by the school board, the business manager prepares the school district budget. The budget is prepared for the general fund on the modified accrual basis of accounting. The budget includes the proposed expenditures and the means of financing them. The District does not prepare a budget for the food service fund, as state law does not require a budget for the food service fund. Since a budget was not prepared, the statement comparing budget and actual results could not be prepared. All annual appropriations lapse at year-end.

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

Cash and Investments

The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. These amounts must be deposited with Bank of North Dakota or in a financial institution situated and doing business within this state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the uninsured balance.

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, instrumentality's, 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) Obligations of the state.

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. The District does not have any infrastructure assets. Improvements that significantly extend the useful life of the asset are also capitalized. Interest incurred during the construction phase of capital assets is not capitalized.

The District's land and construction in progress 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:

| | |
|-----------|----------------|
| Buildings | 15 to 80 years |
| Equipment | 8 to 20 years |
| Vehicles | 15 to 19 years |

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019 AND 2018

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. Bonds premiums or discounts are capitalized and amortized over the term of the related obligation. Bond issuance costs are recorded as expenditures when paid.

With respect to the presentation of governmental funds in the governmental fund financial statements, the face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Pensions

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of 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 one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue – delinquent 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.

GREMORA PUBLIC SCHOOL DISTRICT NO. 99
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019 AND 2018

Fund Balance Classifications

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

Nonspendable – consists of amounts that are not in spendable form, such as inventory and prepaid items.

Restricted – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions and administered by the North Dakota Department of Public Instruction.

Committed – consists of amounts that can only be used for specific purposes imposed by a formal action of the school district's highest level of decision-making authority, the school board. Committed resources cannot be used for any other purpose unless the school board removes or changes the specified use by the same type of action previously used to commit those amounts, either by resolution or by ordinance.

Assigned – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the District's intended use. These constraints are established by the Board of Education and/or an official delegated the authority to assign amounts. This is the residual classification for all governmental funds other than the general fund. As of June 30, 2019 and 2018, the school board has not granted any official the right to assign amounts to a specified purpose.

Unassigned – is the residual classification for the general fund and also reflects negative residual amounts in other 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.

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.

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.

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019 AND 2018

Interfund 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.

Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 CASH AND INVESTMENTS

Custodial Credit Risk - Deposits

The school district's deposits at June 30, 2019 and 2018 were entirely covered by federal depository insurance or by collateral held by the school district's agent in the school district's name.

For deposits and investments, the custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the school district will not be able to recover collateral securities that are in the possession of an outside party. As discussed in Note 2, state statutes require the market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. As discussed above, the school district's deposits were adequately protected by insurance or collateral during the current fiscal year. These deposits are Category 1 deposits that include insured and registered investments for which the securities are held by the school district.

Interest Rate Risk

Generally, the longer the maturity period of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance with its investment policy, the school district invests its operating funds primarily in short term certificates of deposit and limits the average maturity in accordance with the school district's cash requirements.

NOTE 4 TAXES RECEIVABLE

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

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

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019 AND 2018

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

NOTE 5 DUE FROM OTHER GOVERNMENTS

The amount due from other government consists of the final reimbursement claims from Title programs, vocational education and other districts at June 30, 2019 and 2018.

NOTE 6 CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2019:

| | Balance July 1, 2018 | Additions | Disposals | Balance June 30, 2019 |
|---------------------------------------------------|-------------------------|---------------------|--------------------|--------------------------|
| Governmental Activities | | | | |
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 36,157 | \$ - | \$ - | \$ 36,157 |
| Capital Assets Being Depreciated | | | | |
| Buildings | 11,484,771 | - | - | 11,484,771 |
| Equipment | 1,055,865 | 62,112 | - | 1,117,977 |
| Vehicles | 633,601 | - | (78,875) | 554,726 |
| Total | <u>13,174,237</u> | <u>62,112</u> | <u>(78,875)</u> | <u>13,157,474</u> |
| Less Accumulated Depreciation | | | | |
| Buildings | 1,230,528 | 286,875 | - | 1,517,403 |
| Equipment | 486,965 | 34,622 | (24,389) | 497,198 |
| Vehicles | 174,593 | 71,723 | - | 246,316 |
| Total | <u>1,892,086</u> | <u>393,220</u> | <u>(24,389)</u> | <u>2,260,917</u> |
| Net Capital Assets Being Depreciated | <u>11,282,151</u> | <u>(331,108)</u> | <u>(54,486)</u> | <u>10,896,557</u> |
| Net Capital Assets for Governmental Activities | <u>\$ 11,318,308</u> | <u>\$ (331,108)</u> | <u>\$ (54,486)</u> | <u>\$ 10,932,714</u> |

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

| | |
|------------------|-------------------|
| Regular Programs | \$ 321,497 |
| Transportation | 71,723 |
| | <u>\$ 393,220</u> |

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019 AND 2018

The following is a summary of changes in capital assets for the year ended June 30, 2018:

| | Balance July 1, 2017 <u>As Restated</u> | <u>Additions</u> | <u>Disposals</u> | Balance June 30, 2018 |
|---------------------------------------------------|-----------------------------------------------|---------------------|----------------------|--------------------------|
| Governmental Activities | | | | |
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 36,157 | \$ - | \$ - | \$ 36,157 |
| Construction in Progress | 9,469,572 | - | (9,469,572) | - |
| Total | <u>9,505,729</u> | <u>-</u> | <u>(9,469,572)</u> | <u>36,157</u> |
| Capital Assets Being Depreciated | | | | |
| Buildings | 2,012,199 | 9,469,572 | - | 11,481,771 |
| Equipment | 992,795 | 63,070 | - | 1,055,865 |
| Vehicles | 619,193 | 45,993 | (28,585) | 636,601 |
| Total | <u>3,624,187</u> | <u>9,578,635</u> | <u>(28,585)</u> | <u>13,174,237</u> |
| Less Accumulated Depreciation | | | | |
| Buildings | 943,653 | 286,875 | - | 1,230,528 |
| Equipment | 421,709 | 65,256 | - | 486,965 |
| Vehicles | 163,228 | 34,922 | (23,557) | 174,593 |
| Total | <u>1,528,590</u> | <u>387,053</u> | <u>(23,557)</u> | <u>1,892,086</u> |
| Net Capital Assets Being Depreciated | <u>2,095,597</u> | <u>9,191,582</u> | <u>(5,028)</u> | <u>11,282,151</u> |
| Net Capital Assets for Governmental Activities | <u>\$ 11,601,326</u> | <u>\$ 9,191,582</u> | <u>\$(9,474,600)</u> | <u>\$ 11,318,308</u> |

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

| | |
|------------------|-------------------|
| Regular Programs | \$ 352,131 |
| Transportation | 34,922 |
| | <u>\$ 387,053</u> |

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019 AND 2018

NOTE 7 ACCOUNTS PAYABLE

Accounts payable consists of amounts owed for goods and services received prior to June 30 and chargeable to the appropriations for the year then ended, but paid subsequent to that date.

NOTE 8 DUE TO/FROM OTHER FUNDS

| | For the Year Ended June 30, 2019 | | |
|-----------------------|----------------------------------|---------------------|-------------|
| | Due From | Due To | Total |
| General Fund | \$ 644,969 | \$ (79,293) | \$ 565,676 |
| Debt Service Fund | 63,974 | (199,820) | (135,846) |
| Capital Projects Fund | 15,319 | - | 15,319 |
| Little Gopher Daycare | - | (445,149) | (445,149) |
| | <u>\$ 724,262</u> | <u>\$ (724,262)</u> | <u>\$ -</u> |

| | For the Year Ended June 30, 2018 | | |
|-----------------------|----------------------------------|---------------------|-------------|
| | Due From | Due To | Total |
| General Fund | \$ 568,932 | \$ (79,293) | \$ 489,639 |
| Debt Service Fund | 63,974 | (199,820) | (135,846) |
| Capital Projects Fund | 15,319 | - | 15,319 |
| Little Gopher Daycare | - | (369,112) | (369,112) |
| | <u>\$ 648,225</u> | <u>\$ (648,225)</u> | <u>\$ -</u> |

These interfund receivable/payables will be repaid in future years.

NOTE 9 LONG-TERM DEBT

During the year ended June 30, 2019, the following changes occurred in noncurrent liabilities:

| | Balance 7/1/2018 | Additions | Reductions | Balance 6/30/2019 | Due within One Year |
|--------------------------------|---------------------|-------------|-------------------|----------------------|------------------------|
| General Obligation Bonds, 2014 | \$ 2,520,000 | \$ - | \$ 130,000 | \$ 2,390,000 | \$ 135,000 |
| General Obligation Bonds, 2015 | 5,908,552 | - | 219,649 | 5,688,903 | 243,020 |
| Bond Premium | 27,590 | - | 1,679 | 25,911 | 1,679 |
| | <u>\$ 8,456,142</u> | <u>\$ -</u> | <u>\$ 351,328</u> | <u>\$ 8,104,814</u> | <u>\$ 379,699</u> |

During the year ended June 30, 2018, the following changes occurred in noncurrent liabilities:

| | Balance 7/1/2017 | Additions | Reductions | Balance 6/30/2018 | Due within One Year |
|--------------------------------|---------------------|-------------|-------------------|----------------------|------------------------|
| General Obligation Bonds, 2014 | \$ 2,650,000 | \$ - | \$ 130,000 | \$ 2,520,000 | \$ 135,000 |
| General Obligation Bonds, 2015 | 6,171,920 | - | 263,368 | 5,908,552 | 226,311 |
| Bond Premium | 29,269 | - | 1,679 | 27,590 | 1,679 |
| | <u>\$ 8,851,189</u> | <u>\$ -</u> | <u>\$ 395,047</u> | <u>\$ 8,456,142</u> | <u>\$ 362,990</u> |

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019 AND 2018

General Obligation Bonds Series 2014 – In November 2014, the District issued \$2,985,000 in General Obligation School Building Bonds, Series 2014. Bond payments are due in annual installments ranging from \$85,000 to \$195,000, commencing on August 1, 2015. Final payment is due August 1, 2034. Interest ranges from 2 percent through 3.125 percent per annum, and is due semiannually on February and August 1. The bond payable and its related premium were recorded in the District’s statement of net position. The bond premium was capitalized and will be amortized to interest expense on a straight-line basis.

General Obligation Bonds Series 2015 – In November 2015, the District issued \$6,965,000 in General Obligation School Building Bonds, Series 2015, for the purpose of constructing, remodeling, and making improvements to school property. Bond payments are due in semi-annual payments ranging from \$166,000 to \$204,000 including interest at 5 percent, with an interest buydown to the rate of 2 percent, commencing on June 2016.

Annual debt service requirements to maturity are as follows:

| | Fiscal Year Ending | Principal | Interest | Total |
|---------------|--------------------|---------------------|-------------------|---------------------|
| | June 30 | | | |
| GO Bonds 2014 | 2020 | \$ 135,000 | \$ 66,144 | \$ 201,144 |
| | 2021 | 135,000 | 63,494 | 198,494 |
| | 2022 | 140,000 | 60,794 | 200,794 |
| | 2023 | 140,000 | 58,044 | 198,044 |
| | 2024 | 145,000 | 55,244 | 200,244 |
| | 2025-2029 | 780,000 | 220,415 | 1,000,415 |
| | 2030-2034 | 915,000 | 102,913 | 1,017,913 |
| | | <u>\$ 2,390,000</u> | <u>\$ 627,048</u> | <u>\$ 3,017,048</u> |

| | Fiscal Year Ending | Principal | Interest (net) | Total |
|---------------|--------------------|------------|---------------------|-------------------|
| | June 30 | | | |
| GO Bonds 2015 | 2020 | \$ 243,020 | \$ 113,360 | \$ 356,380 |
| | 2021 | 255,324 | 108,437 | 363,761 |
| | 2022 | 268,250 | 103,268 | 371,518 |
| | 2023 | 281,829 | 97,836 | 379,665 |
| | 2024 | 296,097 | 92,128 | 388,225 |
| | 2025-2026 | 4,344,383 | 92,920 | 4,437,303 |
| | | | <u>\$ 5,688,903</u> | <u>\$ 607,949</u> |

Interest buydown – Grenora Public School District participated in the Bank of North Dakota interest buydown program. Under this program the Bank of North Dakota paid \$177,065 and \$178,672 for the years ended June 30, 2019 and 2018, respectively, in order to buydown the District’s interest rate on the General Obligation School Building Bonds of 2015 by approximately 3%. These amounts were recorded as a reduction to interest expense.

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019 AND 2018

NOTE 10 FUND BALANCE

Fund balance as of June 30, 2019 is as follows:

| | <u>General Fund</u> | <u>Food Service Fund</u> | <u>Debt Service Fund</u> | <u>Capital Projects Fund</u> | <u>Little Gopher Daycare</u> | <u>Total</u> |
|------------------|---------------------|--------------------------|--------------------------|------------------------------|------------------------------|---------------------|
| Fund Balances: | | | | | | |
| Restricted | | | | | | |
| Debt Service | \$ - | \$ - | \$ 1,446,304 | \$ - | \$ - | \$ 1,446,304 |
| Capital Projects | - | - | - | 1,316,044 | - | 1,316,044 |
| Daycare | - | - | - | - | - | - |
| Assigned | | | | | | |
| Food Service | - | 22,758 | - | - | - | 22,758 |
| Unassigned | 1,166,491 | - | - | - | (228,954) | 937,537 |
| | <u>\$ 1,166,491</u> | <u>\$ 22,758</u> | <u>\$ 1,446,304</u> | <u>\$ 1,316,044</u> | <u>\$ (228,954)</u> | <u>\$ 3,722,643</u> |

Fund balance as of June 30, 2018 is as follows:

| | <u>General Fund</u> | <u>Food Service Fund</u> | <u>Debt Service Fund</u> | <u>Capital Projects Fund</u> | <u>Little Gopher Daycare</u> | <u>Total</u> |
|------------------|---------------------|--------------------------|--------------------------|------------------------------|------------------------------|---------------------|
| Fund Balances: | | | | | | |
| Restricted | | | | | | |
| Debt Service | \$ - | \$ - | \$ 1,135,598 | \$ - | \$ - | \$ 1,135,598 |
| Capital Projects | - | - | - | 1,119,499 | - | 1,119,499 |
| Daycare | - | - | - | - | - | - |
| Assigned | | | | | | |
| Food Service | - | 36,526 | - | - | - | 36,526 |
| Unassigned | 970,792 | - | - | - | (172,129) | 798,663 |
| | <u>\$ 970,792</u> | <u>\$ 36,526</u> | <u>\$ 1,135,598</u> | <u>\$ 1,119,499</u> | <u>\$ (172,129)</u> | <u>\$ 3,090,286</u> |

Restricted and assigned fund balances reflect resources restricted for statutorily and board defined purposes not accounted for in a separate fund.

NOTE 11 TRANSFERS

The general fund transferred \$67,000 and \$752,116 to the capital projects fund during the years ended June 30, 2019 and 2018, respectively, primarily to pay for construction costs related to the renovation and expansion projects.

The debt service fund transferred \$548,980 and \$582,444 to the capital projects fund during the years ended June 30, 2019 and 2018, respectively, to pay for construction costs related to the remodel and expansion project.

GRE Nora PUBLIC SCHOOL DISTRICT NO. 99
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019 AND 2018

NOTE 12 DEFINED BENEFIT PENSION PLANS – TEACHER’S FUND FOR RETIREMENT

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

GRE Nora PUBLIC SCHOOL DISTRICT NO. 99
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019 AND 2018

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

Member and employer contributions paid to TFFR are set by NDCC Section 15-39.1-09. Every eligible teacher in the State of North Dakota is required to be a member of TFFR and is assessed at a rate of 11.75% and 12.75% of salary as of June 30, 2018 and 2019 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

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019 AND 2018

repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

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

At June 30, 2019 and 2018, the District reported a liability of \$2,325,191 and \$2,374,420 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2018 and 2017, 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 0.17445147 percent which was an increase of 0.00158 from its proportion measured as of June 30, 2017. At July 1, 2017, the Employer's proportion was 0.17287041 percent which was a decrease of 0.00231859 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2019, the Employer recognized pension expense of \$216,075. 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 experience | \$ 6,311 | \$ (63,239) |
| Changes of assumptions | 128,091 | - |
| Net difference between projected and actual earnings on pension plan investments | - | (8,039) |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 75,928 | (45,773) |
| Employer contributions subsequent to the measurement date | <u>168,460</u> | <u>-</u> |
| Total | <u>\$ 378,790</u> | <u>\$ (117,051)</u> |

\$168,460 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.

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019 AND 2018

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

Year ending June 30:

| | | |
|------------|----|----------|
| 2020 | \$ | 86,647 |
| 2021 | | 54,143 |
| 2022 | | (2,883) |
| 2023 | | (29,700) |
| Thereafter | | (14,928) |

For the year ended June 30, 2018, the Employer recognized pension expense of \$236,522. At June 30, 2018, 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 experience | \$ 9,108 | \$ (25,920) |
| Changes of assumptions | 169,240 | - |
| Net difference between projected and actual earnings on pension plan investments | 32,797 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 78,357 | (56,205) |
| Employer contributions subsequent to the measurement date | <u>151,207</u> | <u>-</u> |
| Total | <u><u>\$ 440,709</u></u> | <u><u>\$ (82,125)</u></u> |

\$151,207 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, 2019.

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019 AND 2018

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

Year ending June 30:

| | | |
|------------|----|----------|
| 2019 | \$ | 48,939 |
| 2020 | | 100,383 |
| 2021 | | 68,174 |
| 2022 | | 11,665 |
| Thereafter | | (21,784) |

Actuarial Assumptions

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial 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.

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, 2017, 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 long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage

GRE Nora PUBLIC SCHOOL DISTRICT NO. 99
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019 AND 2018

and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

For the year ended June 30, 2019:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---------------------|--------------------------|-----------------------------------------------|
| Global Equities | 58% | 6.70% |
| Global Fixed Income | 23% | 1.50% |
| Global Real Assets | 18% | 5.10% |
| Cash Equivalents | 1% | 0.00% |

For the year ended June 30, 2018:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---------------------|--------------------------|-----------------------------------------------|
| Global Equities | 58% | 6.70% |
| Global Fixed Income | 23% | 0.80% |
| Global Real Assets | 18% | 5.20% |
| Cash Equivalents | 1% | 0.00% |

Discount Rate

The discount rate used to measure the total pension liability was 7.75% percent as of June 30, 2018 and 2017. 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, 2017, 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 and 2017. 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 and 2017.

GRE Nora PUBLIC SCHOOL DISTRICT NO. 99
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019 AND 2018

Pension Liability Sensitivity

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.75. percent, 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 as of June 30, 2019:

| | 1% Decrease 6.75% | Current Discount Rate 7.75% | 1% Increase 8.75% |
|-------------------------------------------------------------|----------------------|-----------------------------------|----------------------|
| Employer's proportionate share of the net pension liability | \$ 3,139,681 | \$ 2,325,191 | \$ 1,647,789 |

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.75. percent, 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 as of June 30, 2018:

| | 1% Decrease 6.75% | Current Discount Rate 7.75% | 1% Increase 8.75% |
|-------------------------------------------------------------|----------------------|-----------------------------------|----------------------|
| Employer's proportionate share of the net pension liability | \$ 3,160,294 | \$ 2,374,420 | \$ 1,723,084 |

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/rui/sib/publicatins/cafr/default.htm.

NOTE 13 RETIREMENT PLAN

The District allows employees to contribute to a 403(b) plan. All of the contributions in the plan are from employees.

NOTE 14 RISK MANAGEMENT

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

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

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019 AND 2018

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the District with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The state Bonding Fund does not currently charge any premium for this coverage.

The District participates in the North Dakota Worker's Compensation Bureau and purchases commercial insurance for employee health and accident insurance.

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

NOTE 15 PRIOR PERIOD ADJUSTMENTS

The District has recorded a government-wide prior period adjustment to the June 30, 2018 financial statements to record accumulated depreciation of \$236,739 that should have been reported in the June 30, 2017 financial statements as the new construction was in service at that time. Prior period adjustments were also made to the June 30, 2018 financial statements at the fund-wide level to record an additional receivable of \$99,436 for an overpayment of bond interest that was received in July 2017 that was applicable to the previous fiscal year for the bond interest paydown. It was also determined that the Little Gopher Daycare fund should be reported as a special revenue fund as these are District funds rather than fiduciary funds. This restated \$152,049 from the Statement of Fiduciary Assets and Liabilities-Fiduciary Funds to a separate fund listed at the fund-wide level. A prior period adjustment was also made to record the \$247,832 that wasn't being reported on the financial statements as of July 1, 2017 for what the Little Gopher Daycare Fund owed the General fund. A prior period adjustment was also made to record \$10,907 in the fiduciary fund to record cash the District is holding at June 30, 2018 for employees who withheld money from their payroll checks for flexible benefit purposes.

The net effect of these prior period adjustments was to increase the accumulated depreciation by \$236,739 and decrease the net position by \$236,739 on the June 30, 2018 government wide financial statements. On the June 30, 2018 fund-wide statements the net effect was to increase accounts receivable and fund balance by \$99,436 in the Debt Service fund, increase the fund balance in the Little Gopher Daycare fund by \$152,049 and decrease the fiduciary funds by \$152,049. The June 30, 2018 fund-wide financial statements also changed by increasing the due to other funds and decreasing the fund balance in the Little Gopher Daycare fund by \$247,832, while increasing the due from other funds and fund balance in the General fund by \$247,832. The net effect on the Fiduciary fund statement as of June 30, 2018 was an increase in cash and an increase in due to flexible benefits due to staff by \$10,907.

NOTE 16 DEFICIT FUND BALANCE

For the years ended June 30, 2019 and 2018, the Little Gopher Daycare fund had a deficit balance of \$228,954 and \$172,129, respectively. The fund plans on reducing the deficits as it becomes more self sufficient.

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019 AND 2018

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.

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

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019 AND 2018

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 the effect these statements will have on the District's financial statements.

NOTE 18 SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. Federal, state and local governments have since implemented various restrictions on travel, public gatherings, and business operations. The District expects to see a negative impact due to the pandemic, but the extent of the impact is uncertain. Subsequent events have been evaluated through April 30, 2020, which is the date these financial statements were available to be issued.

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
BUDGETARY COMPARISON SCHEDULE OF THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Over (Under) Final Budget</u> |
|--------------------------------------------------------------|--------------------------|--------------------------|----------------------------|--------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Local Sources | \$ 1,482,938 | \$ 1,482,938 | \$ 2,042,216 | \$ 559,278 |
| State Sources | 2,098,964 | 2,098,964 | 1,711,973 | (386,991) |
| Federal Sources | 96,870 | 96,870 | 111,939 | 15,069 |
| TOTAL REVENUES | <u>3,678,772</u> | <u>3,678,772</u> | <u>3,866,128</u> | <u>187,356</u> |
| EXPENDITURES | | | | |
| Regular Instruction | 1,587,100 | 1,587,100 | 1,794,342 | 207,242 |
| Special Education | 353,370 | 353,370 | 125,625 | (227,745) |
| Other Programs and Services | 242,060 | 242,060 | 142,659 | (99,401) |
| District Wide Services | 218,300 | 218,300 | 185,413 | (32,887) |
| Administration | 438,427 | 438,427 | 462,618 | 24,191 |
| Operations and Maintenance | 382,981 | 382,981 | 347,352 | (35,629) |
| Food Services | 69,333 | 69,333 | 60,793 | (8,540) |
| Transportation | 274,607 | 274,607 | 348,988 | 74,381 |
| Student Activities | 117,720 | 117,720 | 135,639 | 17,919 |
| TOTAL EXPENDITURES | <u>3,683,898</u> | <u>3,683,898</u> | <u>3,603,429</u> | <u>(80,469)</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(5,126)</u> | <u>(5,126)</u> | <u>262,699</u> | <u>267,825</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers Out | <u>-</u> | <u>-</u> | <u>(67,000)</u> | <u>(67,000)</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>(67,000)</u> | <u>(67,000)</u> |
| Excess (Deficiency) of Revenues Over Expenditures | (5,126) | (5,126) | 195,699 | 200,825 |
| Fund Balance - Beginning | <u>970,792</u> | <u>970,792</u> | <u>970,792</u> | <u>-</u> |
| Fund Balance - Ending | <u><u>\$ 965,666</u></u> | <u><u>\$ 965,666</u></u> | <u><u>\$ 1,166,491</u></u> | <u><u>\$ 200,825</u></u> |

See Note to the Budgetary Comparison Schedule

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
BUDGETARY COMPARISON SCHEDULE OF THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

| | <u>Budgeted Amounts</u> | | | Over (Under) Final Budget |
|--------------------------------------------------------------|-------------------------|-------------------|-------------------|------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| REVENUES | | | | |
| Local Sources | \$ 1,367,149 | \$ 1,367,149 | \$ 2,124,195 | \$ 757,046 |
| State Sources | 2,074,717 | 2,074,717 | 1,823,312 | (251,405) |
| Federal Sources | 93,336 | 93,336 | 87,508 | (5,828) |
| TOTAL REVENUES | <u>3,535,202</u> | <u>3,535,202</u> | <u>4,035,015</u> | <u>499,813</u> |
| EXPENDITURES | | | | |
| Regular Instruction | 1,396,806 | 1,396,806 | 1,519,408 | 122,602 |
| Special Education | 245,953 | 245,953 | 133,957 | (111,996) |
| Other Programs and Services | 178,924 | 178,924 | 77,360 | (101,564) |
| District Wide Services | 175,586 | 175,586 | 189,246 | 13,660 |
| Administration | 393,675 | 393,675 | 421,231 | 27,556 |
| Operations and Maintenance | 370,819 | 370,819 | 333,941 | (36,878) |
| Food Services | 48,251 | 48,251 | 56,690 | 8,439 |
| Transportation | 288,854 | 288,854 | 326,580 | 37,726 |
| Student Activities | 91,793 | 91,793 | 129,577 | 37,784 |
| TOTAL EXPENDITURES | <u>3,190,661</u> | <u>3,190,661</u> | <u>3,187,990</u> | <u>(2,671)</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>344,541</u> | <u>344,541</u> | <u>847,025</u> | <u>502,484</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers Out | <u>-</u> | <u>-</u> | <u>(752,116)</u> | <u>(752,116)</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>(752,116)</u> | <u>(752,116)</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>344,541</u> | <u>344,541</u> | <u>94,909</u> | <u>(249,632)</u> |
| Fund Balance - beginning as previously stated | 628,051 | 628,051 | 628,051 | - |
| Prior period adjustment | - | - | 247,832 | 247,832 |
| Fund Balance - beginning of year restated | <u>-</u> | <u>-</u> | <u>875,883</u> | <u>-</u> |
| Fund Balance - Ending | <u>\$ 972,592</u> | <u>\$ 972,592</u> | <u>\$ 970,792</u> | <u>\$ (1,800)</u> |

See Note to the Budgetary Comparison Schedule

GRE Nora PUBLIC SCHOOL DISTRICT NO. 99
NOTE TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

Based upon available financial information and requests by the school board, the business manager prepares the school district budget. The budget is prepared for the general fund on the modified accrual basis of accounting. The budget includes the proposed expenditures and the means of financing them. The school district does not prepare a budget for the special revenue fund, debt service, or capital projects fund, as state law does not require a budget for those funds. Since a budget was not prepared, the statement comparing budget and actual results could not be prepared. All annual appropriations lapse at year-end.

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

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION
LAST TEN YEARS

Teachers Fund for Retirement

| | Statutorily required contribution | Contributions in relation to the statutorily required contribution | Contribution deficiency (excess) | Employer's covered- employee payroll | Contributions as a percentage of covered-employee payroll |
|------|-----------------------------------------|-----------------------------------------------------------------------------|----------------------------------------|-----------------------------------------------|--------------------------------------------------------------------|
| 2019 | \$ 151,207 | \$ (151,207) | \$ - | \$ 1,185,937 | 12.75% |
| 2018 | 148,770 | (148,770) | - | 1,166,824 | 12.75% |
| 2017 | 145,127 | (145,127) | - | 1,138,249 | 12.75% |
| 2016 | 140,391 | (140,391) | - | 1,101,160 | 12.75% |
| 2015 | 104,250 | (104,250) | - | 969,771 | 10.75% |

See Note to the Required Supplementary Information

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST TEN YEARS

Teachers Fund for Retirement

| | Employer's proportion of the net pension liability (asset) | Employer's proportionate share of the net pension liability (asset) | Employer's covered- employee payroll | Employer's proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll | Plan fiduciary net position as a percentage of the total pension liability |
|------|---------------------------------------------------------------------|---------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| 2019 | 0.174451% | \$ 2,325,191 | \$ 1,185,937 | 196.06% | 65.50% |
| 2018 | 0.172870% | 2,374,420 | 1,166,826 | 203.49% | 63.20% |
| 2017 | 0.175189% | 2,566,628 | 1,138,249 | 225.49% | 59.20% |
| 2016 | 0.179020% | 2,341,322 | 1,101,160 | 212.62% | 62.10% |
| 2015 | 0.167187% | 1,751,823 | 969,771 | 180.64% | 66.60% |

See Note to the Required Supplementary Information

GRE Nora PUBLIC SCHOOL DISTRICT NO. 99
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 CHANGES OF ASSUMPTIONS

TFFR

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

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

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 Directors
Grenora Public School District No.99
Grenora, 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 Grenora Public School District as of and for the year ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Grenora Public School 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 Grenora Public School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Grenora Public School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2019-002 and 2019-003 to be a material weaknesses.

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. We consider the deficiency described in the accompany schedule of findings and responses as item 2019-001 to be a significant deficiency.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Grenora Public School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 an instance of non-compliance that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and responses as item 2019-003.

The District's Responses To Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.
BISMARCK, NORTH DAKOTA**

April 30, 2020

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

2019-001 Finding

Criteria

To provide reasonable assurance that segregation of duties take place while also taking into account the size of the District.

Condition

The District has one employee who is responsible for all accounting functions involved. The employee handles all income monies, prepares the receipts documents, prepares the deposits, issues all checks and distributes them, receives the bank statements and does the reconciliations. The employee also records the receipts and disbursements to the journals and maintains the general ledger. Considering the size of the District, it is not feasible to obtain proper separation of duties and the degree of internal control is severely limited.

Cause

There is only one business manager and due to the District's size, they are unable to hire more staff.

Effect

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

Recommendation

The District should separate the duties when it becomes feasible.

Management's Response

The Superintendent will review and sign off on the unopened bank statements. The Superintendent will also review and sign off on all of the bank reconciliations.

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

2019-002 Finding

Criteria

The District does not identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP).

Condition

The District's auditors prepared the financial statements as of June 30, 2019. In addition, adjusting entries were proposed to bring the financial statements into compliance with accounting principles generally accepted in the United States of America (GAAP). An appropriate system of internal controls requires that a District must make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with GAAP. This requires the District's personnel to maintain a working knowledge of current accounting principles generally accepted in the United States of America and required financial statement disclosures.

Cause

The District does not have the resources to prepare full accrual financial statements.

Effect

The Superintendent is aware of the deficiency and addresses it by reviewing and approving the adjusting journal entries and the completed statements prior to distribution to the end users.

Recommendation

For entities of the District's size, it generally is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting. The District should establish an internal control policy to document the annual review of the financial statements, disclosures and schedules.

Management's Response

The District will continue to have the auditor prepare the financial statements; however, the District has established an internal control policy to document the annual review of the financial statements.

GRE Nora PUBLIC SCHOOL DISTRICT NO. 99
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

2019-003 Finding

Criteria

An organization should establish and maintain an internal control environment that operates effectively through a period in order to provide reasonable assurance regarding the reliability of its financial statement and compliance with the requirements of laws and regulations. The five components of internal control – control environment, risk assessment, control activities, information and communication, and monitoring – need to be properly designed, implemented, and operating effectively in order to meet the objectives of internal control.

Condition

We noted deficiencies in the design, implementation, and operation of the five components of internal control for the District. More specifically, we noted the following deficiencies.

Cash Accounts

- Bank reconciliations were not being done timely or on a monthly basis. Sometimes the bank reconciliations were done for multiple months at a time in a single reconciliation. The bank reconciliations were not accurate and required significant detailed review of the bank activity and general ledger activity to determine what the balances should be for the financial statements.
- The bank reconciliations for the General and Capital projects fund were not completed as of 6/30/19. The General fund bank reconciliation for June 30, 2019 was done in combination with the July 2019 bank reconciliation, but the fiscal year end is June 30th.
- Noted large adjustments to cash at the end of the 2019 fiscal year that adjusted the cash balances on the general ledger to what the bank statements reported.
- Noted several posting errors in the cash activity including transposed deposit amounts, transfers not recorded, and deposits not recorded at all. Amounts recorded in the general ledger should be recorded as they are on the bank statement. There were numerous differences between the bank activity and what was recorded in the general ledger.
- The bank reconciliations aren't being printed out or reviewed by a party that is separate from the reconciliation function. We also recommend that a separate party like the superintendent review the bank statements monthly to look for any unusual or out of the ordinary activity.
- Cash held at the bank in District accounts for the employee's flex money was not recorded in the general ledger.

Accounts Receivable and Payable

- There were large debit balances at both year ends that were on the District's trial balance. The balances weren't being accurately reported.
- Receivables and payables were not set up properly at year end. At the end of the fiscal year, receipts and invoices to be paid should be reviewed and recorded to ensure they are recorded in the proper period.

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Tax Revenues

- Noted when the monthly tax revenues were received that sometimes the total amount for all the funds would be recorded in the general fund money market account, but in the general ledger the deposit would be recorded at the net amount of the tax revenue levied for the general fund, and also record deposits in the capital projects and debt service funds cash accounts for that funds property taxes levied even though the actual total deposit was all deposited in the general fund money market account. Subsequently, when the general fund would actually transfer the capital project and debt service funds tax revenue to their respective cash accounts, the transfer would not be recorded in the general ledger as deposits had been recorded as if the total property tax payments received were split and deposited in the separate bank accounts at the offset. This caused variances in the each funds cash balances and what is in the general ledger.

Capital Assets

- The depreciation schedule for each fiscal year wasn't updated to properly reflect any current year additions or disposals. Better documentation needs to be maintained on the construction in progress accounts.

Journal Entries

- When reviewing the journal entries, we noted there was a lack of support for the journal entries and no other party was reviewing them to ensure their purpose and if they were accurate.

Student activities

- There is an account titled Accounts Payable that has a \$54,417 debit balance that has carried over for a few years that no one knows what makes up the balance.

Financial close and reporting process

- A proper process isn't in place at year end to properly prevent or detect material misstatements. There are large debit balances in liability accounts, the cash balances are reconciled and accurate, mis-codings were noted in various income statement accounts.

Cash Disbursement testing

- During our disbursement testing we noted in the twenty transactions tested that four disbursements didn't have the proper support to support the purchase. We also noted in one of the disbursements tested that the invoice was made by the school, not the business and there was a late penalty due to the late submission of the TFFR retirement payment.

W-2 Issue

- During our discussion with management, it was determined there were issues with how the W-2's were reported with incorrect amounts being reported for the amount of taxable income. This will need to be corrected and new W-2's will need to be reissued so employees can correctly report their wages on their individual tax returns.

GRE Nora PUBLIC SCHOOL DISTRICT NO. 99
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Cause

There is a lack of a review function to ensure that accurate financial data is being reported.

Effect

A well designed and implemented control structure assists an entity in achieving its' financial objectives and prevents or detects misstatements in its' financial information in a timely manner. Without adequate controls in place, the organization is at risk that a misstatement – either through error or fraud – may exist and not be detected in a timely manner.

Recommendation

We recommend that the District improve its controls and monitoring function to ensure that the financial data is accurate and timely. This should include a review of the bank reconciliations monthly by a separate party to ensure they are getting performed and are accurate.

Management's Response

The District will look at having annual audits instead of every two years until issues have been resolved. The Superintendent will review and sign off on the unopened bank statements. The Superintendent will also review and sign off on all of the bank reconciliations. The Superintendent will compare the bills approved at board meetings to the checks written before they are sent out.