

GACKLE-STREETER PUBLIC SCHOOL DISTRICT
Gackle, North Dakota

AUDITED FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018

GACKLE-STREETER PUBLIC SCHOOL DISTRICT
Gackle, North Dakota

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June 30, 2019 and 2018

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GACKLE-STREETER PUBLIC SCHOOL DISTRICT
Gackle, North Dakota

OFFICIAL DIRECTORY
June 30, 2019

Jeff Williams	President
Christina Zenker	Vice-President
Connie Rivinius	Board Member
Lindi Heflin	Board Member
Jon Metz	Board Member
Duke Larson	Superintendent
Lisa Zenker	Business Manager



INDEPENDENT AUDITOR'S REPORT

School Board
Gackle-Streeter Public School District
Gackle, North Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gackle-Streeter Public School District, as of and for the years ended June 30, 2019 and 2018, and the related notes to financial statements, which collectively comprise Gackle-Streeter Public School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Gackle-Streeter Public School District's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Gackle-Streeter Public School District, as of June 30, 2019 and 2018 and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

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

Emphasis of a Matter

As discussed in Note 12 to the financial statements, there was an error in cash, payroll liabilities, and capital assets as of June 30, 2017 that was discovered by management in the current year. Accordingly, an adjustment has been made to net position as of June 30, 2017 to correct the error. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gackle-Streeter Public School District's basic financial statements. The budgetary comparison schedule, nonmajor governmental funds – combining balance sheet, and nonmajor governmental funds – schedule of revenues, expenditures, and changes in fund balance are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule, nonmajor governmental funds – combining balance sheet, and nonmajor governmental funds – schedule of revenues, expenditures, and changes in fund balance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule, nonmajor governmental funds – combining balance sheet, and nonmajor governmental funds – schedule of revenues, expenditures, and changes in fund balance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The official directory 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2022 on our consideration of Gackle-Streeter Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gackle-Streeter Public School District's internal control over financial reporting and compliance.

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

Nadine Julson, LLC
Wahpeton, North Dakota
September 12, 2022

GACKLE-STREETER PUBLIC SCHOOL DISTRICT
Gackle, North Dakota

STATEMENTS OF NET POSITION – MODIFIED CASH BASIS
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 442,984	\$ 351,413
Savings and CD's	<u>504,427</u>	<u>504,517</u>
Total Current Assets	947,411	855,930
Capital Assets		
Depreciable, net of accumulated depreciation		
Buildings and Improvements	679,707	745,085
Vehicles	30,419	20,467
Equipment	<u>97,776</u>	<u>37,245</u>
Total Capital Assets	<u>807,902</u>	<u>802,797</u>
Total Assets	1,755,313	1,658,727
LIABILITIES		
Current Liabilities		
Payroll Liabilities	25,862	2,943
Current Portion of Long-term Debt		
Capital Leases Payable	<u>13,740</u>	<u>-</u>
Total Current Liabilities	39,602	2,943
Due After One Year		
Capital Leases Payable	<u>60,547</u>	<u>-</u>
Total Long-term Liabilities	<u>60,547</u>	<u>-</u>
Total Liabilities	100,149	2,943
NET POSITION		
Net Investment in Capital Assets	733,615	802,797
Restricted	144,307	126,319
Unrestricted	<u>777,242</u>	<u>726,668</u>
Total Net Position	<u>\$ 1,655,164</u>	<u>\$ 1,655,784</u>

See Notes to Financial Statements

GACKLE-STREETER PUBLIC SCHOOL DISTRICT
Gackle, North Dakota

STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Regular Instruction	\$ 958,615	\$ 24,762	\$ 81,872	\$ (851,981)
Special Instruction	200,395	-	70,387	(130,008)
Vocational Instruction	75,616	-	3,911	(71,705)
Pupil Services	63,035	-	-	(63,035)
General Administration Services	148,326	-	-	(148,326)
School Administration Services	65,511	-	-	(65,511)
Operation and Maintenance	307,931	-	-	(307,931)
Pupil Transportation	185,627	-	87,101	(98,526)
School Food Services	95,115	27,276	37,848	(29,991)
	<u>\$ 2,100,171</u>	<u>\$ 52,038</u>	<u>\$ 281,119</u>	<u>(1,767,014)</u>
General Revenues				
Taxes				
Taxes Levied for General Purposes				838,408
Taxes Levied for Building Purposes				31,096
State Aid, not restricted for specific purpose				853,509
Interest and Investment Earnings				2,888
Miscellaneous				40,493
Total General Revenues				<u>1,766,394</u>
Change in Net Position				(620)
Net Position, Beginning of Year				<u>1,655,784</u>
Net Position, End of Year				<u>\$ 1,655,164</u>

See Notes to Financial Statements

GACKLE-STREETER PUBLIC SCHOOL DISTRICT
Gackle, North Dakota

STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Regular Instruction	\$ 945,411	\$ 25,797	\$ 73,711	\$ (845,903)
Special Instruction	203,043	-	69,445	(133,598)
Vocational Instruction	79,160	-	17,635	(61,525)
Pupil Services	56,641	-	-	(56,641)
General Administration Services	148,417	-	-	(148,417)
School Administration Services	69,455	-	-	(69,455)
Operation and Maintenance	295,466	-	-	(295,466)
Pupil Transportation	173,453	-	97,334	(76,119)
School Food Services	92,056	29,735	41,321	(21,000)
	<u>\$ 2,063,102</u>	<u>\$ 55,532</u>	<u>\$ 299,446</u>	(1,708,124)
General Revenues				
Taxes				
Taxes Levied for General Purposes				850,667
Taxes Levied for Building Purposes				31,443
State Aid, not restricted for specific purpose				785,979
Interest and Investment Earnings				2,285
Miscellaneous				18,355
Total General Revenues				<u>1,688,729</u>
Change in Net Position				(19,395)
Net Position, Beginning of Year				<u>1,675,179</u>
Net Position, End of Year				<u>\$ 1,655,784</u>

See Notes to Financial Statements

GACKLE-STREETER PUBLIC SCHOOL DISTRICT
Gackle, North Dakota

BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
June 30, 2019

	Major Funds		Other	Total
	General Fund	Special Reserve	Governmental Funds	Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 348,113	\$ 32,693	\$ 62,178	\$ 442,984
Savings and CD's	435,924	68,503	-	504,427
Total Assets	784,037	101,196	62,178	947,411
LIABILITIES				
Payroll Liabilities	25,073	-	789	25,862
Total Liabilities	25,073	-	789	25,862
FUND BALANCE				
Restricted	-	101,196	43,111	144,307
Assigned	-	-	18,278	18,278
Unassigned	758,964	-	-	758,964
Fund Balance	758,964	101,196	61,389	921,549
Total Liabilities and Fund Balance	\$ 784,037	\$ 101,196	\$ 62,178	\$ 947,411

See Notes to Financial Statements

GACKLE-STREETER PUBLIC SCHOOL DISTRICT
Gackle, North Dakota

BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
June 30, 2018

	Major Funds		Other	Total
	General Fund	Special Reserve	Governmental Funds	Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 267,863	\$ 32,644	\$ 50,906	\$ 351,413
Savings and CD's	436,014	68,503	-	504,517
Total Assets	703,877	101,147	50,906	855,930
LIABILITIES				
Payroll Liabilities	2,272	-	671	2,943
Total Liabilities	2,272	-	671	2,943
FUND BALANCE				
Restricted	-	101,147	25,172	126,319
Assigned	-	-	25,063	25,063
Unassigned	701,605	-	-	701,605
Fund Balance	701,605	101,147	50,235	852,987
Total Liabilities and Fund Balance	\$ 703,877	\$ 101,147	\$ 50,906	\$ 855,930

See Notes to Financial Statements

GACKLE-STREETER PUBLIC SCHOOL DISTRICT
Gackle, North Dakota

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS
TO THE STATEMENTS OF NET POSITION – MODIFIED CASH BASIS
June 30, 2019 and 2018

Total Fund Balance - Governmental Funds June 30, 2019		\$	921,549
Total net position reported for government activities in the statement of net position is different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.			
Cost of Capital Assets	3,186,198		
Less Accumulated Depreciation	(2,378,296)		
Net Capital Assets			807,902
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.			
Capital Leases Payable			(74,287)
Total Net Position of Governmental Activities June 30, 2019		\$	1,655,164
Total Fund Balance - Governmental Funds June 30, 2018			
		\$	852,987
Total net position reported for government activities in the statement of net position is different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.			
Cost of Capital Assets	3,094,161		
Less Accumulated Depreciation	(2,291,364)		
Net Capital Assets			802,797
Total Net Position of Governmental Activities June 30, 2018		\$	1,655,784

See Notes to Financial Statements

GACKLE-STREETER PUBLIC SCHOOL DISTRICT
Gackle, North Dakota

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**
Year Ended June 30, 2019

	Major Funds		Other	Total
	General Fund	Special Reserve	Governmental Funds	Governmental Funds
REVENUES				
Local Sources	\$ 863,170	\$ -	\$ 58,372	\$ 921,542
State Sources	1,014,908	-	-	1,014,908
Federal Sources	81,872	-	37,848	119,720
Interest Income	2,839	49	-	2,888
Miscellaneous Income	30,220	-	10,273	40,493
Total Revenues	1,993,009	49	106,493	2,099,551
EXPENDITURES				
Current				
Regular Instruction	951,186	-	-	951,186
Special Instruction	200,395	-	-	200,395
Vocational Instruction	75,616	-	-	75,616
Pupil Services	63,035	-	-	63,035
General Administration Services	148,326	-	-	148,326
School Administration Services	65,511	-	-	65,511
Operation and Maintenance	212,796	-	23,430	236,226
Pupil Transportation	195,579	-	-	195,579
School Food Services	-	-	95,115	95,115
Facilities Acquisition and Construction	74,287	-	-	74,287
Total Expenditures	1,986,731	-	118,545	2,105,276
Excess (Deficiency) of Revenues				
Expenditures	6,278	49	(12,052)	(5,725)
OTHER FINANCING SOURCES (USES)				
Proceeds from Long-term Debt	74,287	-	-	74,287
Operating Transfer In	-	-	23,206	23,206
Operating Transfer Out	(23,206)	-	-	(23,206)
Total Other Financing Sources (Uses)	51,081	-	23,206	74,287
NET CHANGE IN FUND BALANCE	57,359	49	11,154	68,562
FUND BALANCE, BEGINNING OF YEAR	701,605	101,147	50,235	852,987
FUND BALANCE, END OF YEAR	\$ 758,964	\$ 101,196	\$ 61,389	\$ 921,549

See Notes to Financial Statements

GACKLE-STREETER PUBLIC SCHOOL DISTRICT
Gackle, North Dakota

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**
Year Ended June 30, 2018

	Major Funds		Other	Total
	General Fund	Special Reserve	Governmental Funds	Governmental Funds
REVENUES				
Local Sources	\$ 876,464	\$ -	\$ 61,178	\$ 937,642
State Sources	970,393	-	643	971,036
Federal Sources	73,711	-	40,678	114,389
Interest Income	1,686	599	-	2,285
Miscellaneous Income	15,955	-	2,400	18,355
Total Revenues	1,938,209	599	104,899	2,043,707
EXPENDITURES				
Current				
Regular Instruction	945,411	-	-	945,411
Special Instruction	203,043	-	-	203,043
Vocational Instruction	79,160	-	-	79,160
Pupil Services	56,641	-	-	56,641
General Administration Services	148,417	-	-	148,417
School Administration Services	69,455	-	-	69,455
Operation and Maintenance	197,003	-	26,758	223,761
Pupil Transportation	167,430	-	-	167,430
School Food Services	-	-	92,056	92,056
Facilities Acquisition and Construction	-	-	15,496	15,496
Total Expenditures	1,866,560	-	134,310	2,000,870
Excess (Deficiency) of Revenues				
Expenditures	71,649	599	(29,411)	42,837
OTHER FINANCING SOURCES (USES)				
Operating Transfer In	-	-	33,000	33,000
Operating Transfer Out	(33,000)	-	-	(33,000)
Total Other Financing Sources (Uses)	(33,000)	-	33,000	-
NET CHANGE IN FUND BALANCE	38,649	599	3,589	42,837
FUND BALANCE, BEGINNING OF YEAR	662,956	100,548	46,646	810,150
FUND BALANCE, END OF YEAR	\$ 701,605	\$ 101,147	\$ 50,235	\$ 852,987

See Notes to Financial Statements

GACKLE-STREETER PUBLIC SCHOOL DISTRICT
Gackle, North Dakota

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENTS OF ACTIVITIES – MODIFIED CASH BASIS**
Years Ended June 30, 2019 and 2018

Net Change in Fund Balances - Total Government Funds June 30, 2019	\$ 68,562
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets with a cost greater than \$5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.	5,105
Governmental funds report debt proceeds as current financial resources. The statement of activities treats such issuance of bonds payable as a liability.	<u>(74,287)</u>
Change in Net Position of Governmental Activities June 30, 2019	<u>\$ (620)</u>
Net Change in Fund Balances - Total Government Funds June 30, 2018	\$ 42,837
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets with a cost greater than \$5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year.	<u>(62,232)</u>
Change in Net Position of Governmental Activities June 30, 2018	<u>\$ (19,395)</u>

See Notes to Financial Statements

GACKLE-STREETER PUBLIC SCHOOL DISTRICT
Gackle, North Dakota

STATEMENTS OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUNDS – MODIFIED CASH BASIS
June 30, 2019 and 2018

	Agency Funds	
	2019	2018
Assets		
Cash and Investments	\$ 91,162	\$ 71,419
Total Assets	91,162	71,419
Liabilities		
Due to Groups	91,162	71,419
Total Liabilities	\$ 91,162	\$ 71,419

See Notes to Financial Statements

GACKLE-STREETER PUBLIC SCHOOL DISTRICT
Gackle, North Dakota

NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The accompanying financial statements present the activities of the Gackle-Streeter Public School District. The District has considered all potential component units for which the District is financially accountable and other organizations for which the nature and significance of their relationships with the District such that exclusion would cause the District's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. This criterion includes appointing a voting majority of an organization's governing body and (1) the ability of the Gackle-Streeter Public School District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on Gackle-Streeter Public School District.

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

B. Basis of Presentation, Basis of Accounting

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

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

The District reports the following major governmental funds:

1. General Fund
 - a. The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. Special Reserve Fund
 - a. Used to account for resources restricted to, or designated for, specific purposes by the District.

GACKLE-STREETER PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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

1. Governmental Funds
 - a. Capital Projects Fund – Used to account for financial resources related to capital outlays made by the District.
 - b. Food Service Fund – Used to account for food service revenues and expenditures.
2. Fiduciary Funds
 - a. Agency Funds – Used to account for resources held for others in a custodial capacity, the District's Agency Fund is the Student Activity Fund.

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

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

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

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

D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts. Cash equivalents on the statement of cash flows consist of certificates of deposit with a maturity of three months or less. Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the uninsured balance.

E. Capital Assets

Capital assets include land, buildings, and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

GACKLE-STREETER PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings/Improvements	20 - 50
Equipment	10
Busses/Vehicles	10

F. Vacation Pay and Sick Pay

Ancillary staff shall receive the following leave benefits:

<u>Service</u>	<u>Full-Time Employment</u>	<u>School-Year Employment</u>
Year 1 – 5	10 vacation days 4 sick days	3 sick days
Year 6 – 10	13 vacation days 5 sick days	4 sick days
Year 11 – 15	15 vacation days 6 sick days	5 sick days
Year 16 – 20	20 vacation days 7 sick days	6 sick days
Year 21+	25 vacation days 8 sick days	7 sick days

Sick and vacation leave is accumulative to 30 days total (combined leaves) for full-time employment. Sic leave is accumulate to 15 days for school-year employment.

Teachers' sick days accumulated over 60 days at the end of the contract would be paid out at \$50 dollars per day in the spring upon signing a contract for the next school year. Retiring teachers will be be paid at \$20 per unused sick day, up to 60 days.

G. Long-term Obligations

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

H. Fund Balance and Net Position

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:

1. Nonspendable
 - a. Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. They include items such as, but not limited to, inventories, prepaid items, or the permanent principal of endowment funds.

GACKLE-STREETER PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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

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

I. Net Position

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

J. Interfund Transactions

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

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

NOTE 2 – LEGAL COMPLIANCE – BUDGETS

Expenditures over Appropriations – General fund expenditures did not exceed budgeted amounts for the years ended June 30, 2019 and 2018.

NOTE 3 – DEPOSITS AND INVESTMENTS

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

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

GACKLE-STREETER PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the State of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board. For the years ended June 30, 2019 and 2018, the District's carrying amounts of deposits were \$1,038,573 and \$927,349. The bank balances were \$1,121,993 and \$1,034,008. Of the bank balances, \$250,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk:

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

- Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by the Treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.
- Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation.
- Obligations of the state.

As of June 30, 2019 and 2018, the District held certificates of deposits of \$375,502 and \$375,784.

Interest Rate Risk:

The District does not have a formal deposit policy that limits maturities as a means of managing exposure to fair-value losses arising from increasing interest rates.

Concentration of Credit Risk:

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

NOTE 4 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended June 30, 2019 and 2018:

	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019
Governmental Activities				
Capital Assets, being depreciated				
Buildings and Improvements	\$ 2,970,662	\$ -	\$ -	\$ 2,970,662
Vehicles	60,227	17,750	-	77,977
Equipment	63,272	74,287	-	137,559
Total Capital Assets, being depreciated	3,094,161	92,037	-	3,186,198
Less Accumulated Depreciation for				
Buildings and Improvements	2,225,577	65,378	-	2,290,955
Vehicles	39,760	7,798	-	47,558
Equipment	26,027	13,756	-	39,783
Total Accumulated Depreciation	2,291,364	86,932	-	2,378,296
Total Capital Assets Being Depreciated, net	802,797	5,105	-	807,902
Governmental Activities Capital Assets, net	\$ 802,797	\$ 5,105	\$ -	\$ 807,902

GACKLE-STREETER PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018
Governmental Activities				
Capital Assets, being depreciated				
Buildings and Improvements	\$ 2,970,662	\$ -	\$ -	\$ 2,970,662
Vehicles	60,227	-	-	60,227
Equipment	47,776	15,496	-	63,272
Total Capital Assets, being depreciated	3,078,665	15,496	-	3,094,161
Less Accumulated Depreciation for				
Buildings and Improvements	2,160,199	65,378	-	2,225,577
Vehicles	33,737	6,023	-	39,760
Equipment	19,700	6,327	-	26,027
Total Accumulated Depreciation	2,213,636	77,728	-	2,291,364
Total Capital Assets Being Depreciated, net	865,029	(62,232)	-	802,797
Governmental Activities Capital Assets, net	<u>\$ 865,029</u>	<u>\$ (62,232)</u>	<u>\$ -</u>	<u>\$ 802,797</u>

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

	2019	2018
Governmental Activities:		
Regular Instruction	\$ 7,429	\$ -
Operation and Maintenance	71,705	71,705
Pupil Transportation	7,798	6,023
Total Depreciation Expense - Governmental Activities	<u>\$ 86,932</u>	<u>\$ 77,728</u>

NOTE 5 – LONG-TERM LIABILITIES

During the year ended June 30, 2019, the following changes occurred in long-term liabilities:

	Long-term Liabilities at July 1, 2018	Increases	Decreases	Long-term Liabilities at June 30, 2019	Due Within One Year
Governmental Activities					
Capital Leases Payable	\$ -	\$ 74,287	\$ -	\$ 74,287	\$ 13,740
Total - Governmental Activities	<u>\$ -</u>	<u>\$ 74,287</u>	<u>\$ -</u>	<u>\$ 74,287</u>	<u>\$ 13,740</u>

GACKLE-STREETER PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

Outstanding debt at June 30, 2019, was comprised of the following individual issuance:

1. Capital Lease 2019
 - a. From an original issuance of 74,287 at an interest rate of 3.91%. At June 30, 2019, \$74,287 remained outstanding. The principal and interest are payable through June 14, 2024.

The debt service requirement are as follows:

2019 Capital Lease				
(Dated June 14, 2019, Due annually to June 14, 2024)				
(Interest paid annually on June 14)				
Year Ending June 30,	Rate	Principal	Interest	Payment
2020	3.91%	\$ 13,740	\$ 2,905	\$ 16,645
2021	3.91%	14,277	2,367	16,644
2022	3.91%	14,835	1,809	16,644
2023	3.91%	15,416	1,229	16,645
2024	3.91%	16,019	626	16,645
Totals		\$ 74,287	\$ 8,936	\$ 83,223

NOTE 6 – RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The District pays an annual premium to NDIRF for its general liability, auto and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$4,000,000 per occurrence for general liability and auto coverage.

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 \$2,000,000 per occurrence during a twelve-month period. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$496,700 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The District participates in the North Dakota Workforce Safety & Insurance and purchases commercial insurance for employee health and boiler and machinery insurance. Settled claims resulting from these above risks have not exceeded insurance coverage in any of the past three fiscal years.

The District has elected to be self-insured and retain all risk for liabilities resulting from claims of unemployment benefits. During the years ended June 30, 2019 and 2018, no claims were filed.

NOTE 7 – PENSION PLANS

North Dakota Teacher's Fund for Retirement

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

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

GACKLE-STREETER PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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.

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

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

At June 30, 2019 and 2018, if the District were to report on the full accrual basis, a liability of \$1,573,425 and \$1,615,947 for its proportionate share of the net pension liability would have been reported. The net pension liability was measured as of June 30, 2018 and 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial calculation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employees. At June 30, 2019 and 2018 the District's proportion was .118049% and .117649%. The District's pension contributions for the years ended June 30, 2019 and 2018 was \$104,395 and \$102,320.

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 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 RP2014 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, 2018, funding actuarial valuation for TFFR.

GACKLE-STREETER PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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 8.00% to 7.75%.
- Inflation assumption lowered from 3.00% to 2.75%.
- Total salary scale rates lowered by 0.25% due to lower inflation.
- Added explicit administration 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 and adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2018, are summarized in the following table:

<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%

Discount Rate

The discount rate used to measure the total pension liability was 7.75% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2018, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund the benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future-plan members and their beneficiaries, as well as projected contributions from future-plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of July 1, 2018. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2018.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report. TFFR's Comprehensive Annual Financial Report (CAFR) is located at www.nd.gov/rio/sib/publications/cafr/default.htm.

NOTE 8 – RETIREMENT PLAN

The District established a 403(b)-retirement plan where the District will match contributions up to 3%. For the years ended June 30, 2019 and 2018 the amounts the District contributed was \$2,245 and \$2,568.

GACKLE-STREETER PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

NOTE 9 – JOINT VENTURE

The District participates in the following joint ventures:

A. South Central Special Education Unit

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

B. James Valley Career and Technology Center

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

NOTE 10 – NONMONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its food service program. The market value of commodities received for the years ended June 30, 2019 and 2018 was \$6,167 and \$6,253.

NOTE 11 – CONCENTRATIONS

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

NOTE 12 – CORRECTION OF MISSTATEMENT

It was determined that there was a financial misstatement for the year ended June 30, 2017. The misstatement includes an understatement of cash and payroll liabilities and an overstatement of capital assets and accumulated depreciation. Cash, capital assets and accumulated depreciation have been corrected to reflect the subtractions. The District made the following correction:

Net Position, previously reported	\$ 1,567,961
Cash	42,912
Payroll Liabilities	(25,203)
Fixed Assets	(57,032)
Accumulated Depreciation	146,541
Net Position, restated	<u>\$ 1,675,179</u>

GACKLE-STREETER PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

NOTE 13 – TRANSFERS

The following transfers were made from the general fund to the food service fund to cover expenditures in excess of revenues:

	2019		2018	
	Transfers In	Transfers Out	Transfers In	Transfers Out
Fund				
General Fund	\$ -	\$ 23,206	\$ -	\$ 33,000
Food Service	23,206	-	33,000	-
Totals	<u>\$ 23,206</u>	<u>\$ 23,206</u>	<u>\$ 33,000</u>	<u>\$ 33,000</u>

NOTE 14 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through September 12, 2022, the date on which the financial statements were available to be issued.

GACKLE-STREETER PUBLIC SCHOOL DISTRICT
Gackle, North Dakota

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – MODIFIED CASH BASIS
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local Sources	\$ 879,934	\$ 879,934	\$ 863,170	\$ (16,764)
State Sources	1,039,356	1,039,356	1,014,908	(24,448)
Federal Sources	89,865	89,865	81,872	(7,993)
Interest Income	2,000	2,000	2,839	839
Miscellaneous Income	5,000	5,000	30,220	25,220
Total Revenues	2,016,155	2,016,155	1,993,009	(23,146)
EXPENDITURES				
Current				
Regular Instruction	968,415	968,415	951,186	17,229
Special Instruction	216,092	216,092	200,395	15,697
Vocational Instruction	89,661	89,661	75,616	14,045
Pupil Services	57,476	57,476	63,035	(5,559)
General Administration Services	156,370	156,370	148,326	8,044
School Administration Services	88,548	88,548	65,511	23,037
Operation and Maintenance	245,352	245,352	212,796	32,556
Pupil Transportation	188,241	188,241	195,579	(7,338)
Facilities Acquisition and Construction	-	-	74,287	(74,287)
Total Expenditures	2,010,155	2,010,155	1,986,731	23,424
Excess of Revenues over Expenditures	6,000	6,000	6,278	278
OTHER FINANCING SOURCES (USES)				
Proceeds from Long-term Debt	-	-	74,287	74,287
Operating Transfer Out	(6,000)	(6,000)	(23,206)	17,206
Total Other Financing Sources (Uses)	(6,000)	(6,000)	51,081	91,493
NET CHANGE IN FUND BALANCE	-	-	57,359	91,771
FUND BALANCE, BEGINNING OF YEAR			701,605	
FUND BALANCE, END OF YEAR			\$ 758,964	

GACKLE-STREETER PUBLIC SCHOOL DISTRICT
Gackle, North Dakota

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – MODIFIED CASH BASIS
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local Sources	\$ 843,997	\$ 843,997	\$ 876,464	\$ 32,467
State Sources	1,012,678	1,012,678	970,393	(42,285)
Federal Sources	82,676	82,676	73,711	(8,965)
Interest Income	2,000	2,000	1,686	(314)
Miscellaneous Income	10,000	10,000	15,955	5,955
Total Revenues	1,951,351	1,951,351	1,938,209	(13,142)
EXPENDITURES				
Current				
Regular Instruction	956,612	956,612	945,411	11,201
Special Instruction	213,792	213,792	203,043	10,749
Vocational Instruction	81,691	81,691	79,160	2,531
Pupil Services	59,601	59,601	56,641	2,960
General Administration Services	151,062	151,062	148,417	2,645
School Administration Services	85,269	85,269	69,455	15,814
Operation and Maintenance	224,692	224,692	197,003	27,689
Pupil Transportation	177,384	177,384	167,430	9,954
Total Expenditures	1,950,103	1,950,103	1,866,560	83,543
Excess of Revenues over Expenditures	1,248	1,248	71,649	70,401
OTHER FINANCING SOURCES (USES)				
Operating Transfer Out	(26,000)	(26,000)	(33,000)	7,000
Total Other Financing Sources (Uses)	(26,000)	(26,000)	(33,000)	7,000
NET CHANGE IN FUND BALANCE	(24,752)	(24,752)	38,649	77,401
FUND BALANCE, BEGINNING OF YEAR			662,956	
FUND BALANCE, END OF YEAR			\$ 701,605	

GACKLE-STREETER PUBLIC SCHOOL DISTRICT
Gackle, North Dakota

NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEET – MODIFIED CASH BASIS
June 30, 2019

	Food Service	Capital Projects	Total Other Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 19,067	\$ 43,111	\$ 62,178
Total Assets	19,067	43,111	62,178
LIABILITIES			
Payroll Liabilities	789	-	789
Total Liabilities	789	-	789
FUND BALANCE			
Restricted	-	43,111	43,111
Assigned	18,278	-	18,278
Fund Balance	18,278	43,111	61,389
Total Liabilities and Fund Balance	\$ 19,067	\$ 43,111	\$ 62,178

GACKLE-STREETER PUBLIC SCHOOL DISTRICT
Gackle, North Dakota

NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEET – MODIFIED CASH BASIS
June 30, 2018

	Food Service	Capital Projects	Total Other Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 25,734	\$ 25,172	\$ 50,906
Total Assets	25,734	25,172	50,906
LIABILITIES			
Payroll Liabilities	671	-	671
Total Liabilities	671	-	671
FUND BALANCE			
Restricted	-	25,172	25,172
Assigned	25,063	-	25,063
Fund Balance	25,063	25,172	50,235
Total Liabilities and Fund Balance	\$ 25,734	\$ 25,172	\$ 50,906

GACKLE-STREETER PUBLIC SCHOOL DISTRICT
Gackle, North Dakota

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – MODIFIED CASH BASIS**
Year Ended June 30, 2019

	Food Service	Capital Projects	Total Other Governmental Funds
REVENUES			
Local Sources	\$ 27,276	\$ 31,096	\$ 58,372
Federal Sources	37,848	-	37,848
Miscellaneous Income	-	10,273	10,273
Total Revenues	65,124	41,369	106,493
EXPENDITURES			
Current			
Operation and Maintenance	-	23,430	23,430
School Food Services	95,115	-	95,115
Total Expenditures	95,115	23,430	118,545
Excess (Deficiency) of Revenues over Expenditures	(29,991)	17,939	(12,052)
OTHER FINANCING SOURCES			
Operating Transfer In	23,206	-	23,206
Total Other Financing Sources	23,206	-	23,206
NET CHANGE IN FUND BALANCE	(6,785)	17,939	11,154
FUND BALANCE, BEGINNING OF YEAR	25,063	25,172	50,235
FUND BALANCE, END OF YEAR	\$ 18,278	\$ 43,111	\$ 61,389

GACKLE-STREETER PUBLIC SCHOOL DISTRICT
Gackle, North Dakota

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – MODIFIED CASH BASIS**
Year Ended June 30, 2018

	Food Service	Capital Projects	Total Other Governmental Funds
REVENUES			
Local Sources	\$ 29,735	\$ 31,443	\$ 61,178
State Sources	643	-	643
Federal Sources	40,678	-	40,678
Miscellaneous Income	-	2,400	2,400
Total Revenues	71,056	33,843	104,899
EXPENDITURES			
Current			
Operation and Maintenance	-	26,758	26,758
School Food Services	92,056	-	92,056
Facilities Acquisition and Construction	-	15,496	15,496
Total Expenditures	92,056	42,254	134,310
Excess (Deficiency) of Revenues over Expenditures	(21,000)	(8,411)	(29,411)
OTHER FINANCING SOURCES			
Operating Transfer In	33,000	-	33,000
Total Other Financing Sources	33,000	-	33,000
NET CHANGE IN FUND BALANCE	12,000	(8,411)	3,589
FUND BALANCE, BEGINNING OF YEAR	13,063	33,583	46,646
FUND BALANCE, END OF YEAR	\$ 25,063	\$ 25,172	\$ 50,235



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

School Board
Gackle-Streeter Public School District
Gackle, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gackle-Streeter Public School District, as of and for the years ended June 30, 2019 and 2018, and the related notes to financial statements, which collectively comprise the Gackle-Streeter Public School District's basic financial statements, and have issued our report thereon dated September 12, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of current year findings that we consider to be material weaknesses (2019-001 and 2019-002).

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gackle-Streeter Public School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

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

Purpose of this Report

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

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

Nadine Julson, LLC
Wahpeton, North Dakota
September 12, 2022

GACKLE-STREETER PUBLIC SCHOOL DISTRICT
Gackle, North Dakota

SCHEDULE OF CURRENT YEAR FINDINGS
Years ended June 30, 2019 and 2018

2019-001 INADEQUATE SEGREGATION OF DUTIES

Criteria

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

Condition

Proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel, so duties of employees are properly segregated. More segregation of duties would provide better control over the assets of the District.

Effect or Potential Effect

Without sufficient segregation of duties, the risk significant increases that errors and fraud related to cash receipts, disbursements, and reconciliations, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

Views of Responsible Officials

There is no disagreement with the audit finding and we understand that this will be a repeated recommendation due to the limited amount of resources of the District. The District will segregate functions where feasible.

GACKLE-STREETER PUBLIC SCHOOL DISTRICT
Schedule of Current Year Findings – Continued

2019-002 FINANCIAL STATEMENT PREPARATION

Criteria

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

Condition

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

Effect of Potential Effect

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

Recommendation

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

Views of Responsible Officials

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

GACKLE-STREETER PUBLIC SCHOOL DISTRICT
Gackle, North Dakota

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Years ended June 30, 2019 and 2018

Prior Financial Statement Findings

2017-1

A material weakness was reported for inadequate segregation of duties.

Corrective Action Plan

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements. This material weakness continues to exist under the current audit findings as finding number 2019-001.