GRENORA PUBLIC SCHOOL DISTRICT NO. 99
GRENORA, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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GRENORA PUBLIC SCHOOL DISTRICT NO. 99
ROSTER OF SCHOOL OFFICIALS
JUNE 30, 2020

Carrie Edwards	Board President
Rick Foss	Vice President
Nicole Berg	Board Member
Mitch Lundby	Board Member
Brent Peterson	Board Member
Lavern Johnson	Board Member
Dave Pittenger	Board Member
Aaron Rudningen	Superintendent
Jennifer Wade	Business Manager

BradyMartz

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Grenora Public School District No. 99
Grenora, North Dakota

We have audited the accompanying statement of net position, balance sheet and statement of net position of assets and liabilities - fiduciary fund of the governmental activities, each major fund and the aggregate remaining fund information of Grenora Public School District as of June 30, 2020, and we were engaged to audit the statement of activities and statement of revenues, expenditures and changes in fund balance, and the related notes to the financial statements for the year ended June 30, 2020, which collectively comprise Grenora Public School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Because of the matter described in the "Basis for Disclaimer of Opinion on the Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the statement of activities and statements of revenues, expenditures, and changes in fund balance.

We conducted our audit of the statement of net position, balance sheet and statement of net position of assets and liabilities - fiduciary fund in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the 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 these 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.

Except for the matter described in the "Basis for Disclaimer of Opinion on the Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balance" paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities – Statement of Net Position	Unmodified
Governmental Activities – Statement of Activities	Disclaimer
Governmental Funds – Balance Sheet	Unmodified
Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balance	Disclaimer
Statement of Assets and Liabilities – Fiduciary Fund	Unmodified

Basis for Disclaimer of Opinion on the Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balance

The revenues and expenses of the District were unable to be audited due to the bank statement activity not being properly recorded throughout the year.

Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on Statement of Activities and Statements of Revenues, Expenditures and Changes in Fund Balance" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the statement of activities and statement of revenues, expenditures and changes in fund balance. Accordingly we do not express an opinion on these parts of the financial statements.

Unmodified Opinion on the Statement of Net Position, Balance Sheet and Statement of Assets and Liabilities – Fiduciary Fund

In our opinion, the Statement of Net Position, Balance Sheet and Statement of Assets and Liabilities – Fiduciary Fund referred to above present fairly, in all material respects, the respective financial position of the governmental activities statement of net position and balance sheet of each major fund and other aggregate remaining fund information of the fiduciary fund of the District as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 November 17, 2022 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

BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

November 17, 2022

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
STATEMENT OF NET POSITION
JUNE 30, 2020

ASSETS	
Cash	$ 3,780,786
Taxes Receivable	116,477
Due from Other Governments	164,647
Total Current Assets	4,061,910
Capital Assets	
Land	36,157
Buildings	11,867,134
Equipment	1,109,177
Vehicles	627,315
Less Accumulated Depreciation	(2,642,537)
Total Capital Assets, Net of Depreciation	10,997,246
TOTAL ASSETS	15,059,156
DEFERRED OUTFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	483,544
LIABILITIES	
Accounts Payable	39,843
Bonds Payable Due Within One Year	390,324
Bond Premium Due Within One Year	1,679
Total Current Liabilities	431,846
Long-Term Liabilities	
Bonds Payable (Net of Current Maturities)	7,434,962
Premium on Bonds Payable	22,553
Net Pension Liability	2,577,757
Total Non-Current Liabilities	10,035,272
TOTAL LIABILITIES	10,467,118
DEFERRED INFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	128,373
NET POSITION	
Net Investment in Capital Assets	3,147,728
Restricted for:	
Debt Service	1,701,600
Capital Projects	1,009,425
Unrestricted	(911,544)
TOTAL NET POSITION	$ 4,947,209

See Notes to the Financial Statements

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES				
Regular Programs	$ 2,165,163	$ 79,858	$ 150,077	$ (1,935,228)
Special Education	241,935	-	26,146	(215,789)
Other Programs and Services	305,654	-	8,851	(296,803)
Administration	278,833	-	-	(278,833)
Operations and Maintenance	671,069	-	-	(671,069)
Food Services	184,121	49,987	77,044	(57,090)
Transportation	364,344	-	115,552	(248,792)
Community Support Services	141,119	46,673	8,955	(85,491)
Extra-Curricular Activities	118,270	-	-	(118,270)
Instructional Support Services	262,640	-	-	(262,640)
Interest and Service Fees	92,895	-	-	(92,895)
TOTAL GOVERNMENTAL ACTIVITIES	$ 4,826,043.00	$ 176,518	$ 386,625	(4,262,900)

GENERAL REVENUES	
Property Taxes, Levied for General Purposes	1,711,697
Aids and Payments from the State	1,717,441
Oil, Gas and Coal Production	351,734
Earnings on Investments and Miscellaneous Revenue	824,443
TOTAL GENERAL REVENUES	4,605,315
Change in Net Position	342,415
Net Position - Beginning	4,604,794
Net Position - Ending	$ 4,947,209

See Notes to the Financial Statements

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Food Service Fund	Debt Service Fund	Capital Projects Fund	Little Gopher Daycare	Total Governmental Funds
ASSETS						
Cash	$ 616,196	$ 68,228	$ 1,788,277	$ 1,078,499	$ 229,586	$ 3,780,786
Taxes Receivable	61,011	-	45,687	8,479	1,300	116,477
Due from Other Governments	164,647	-	-	-	-	164,647
Due from Other Funds	734,359	-	67,457	-	-	801,816
TOTAL ASSETS	$ 1,576,213	$ 68,228	$ 1,901,421	$ 1,086,978	$ 230,886	$ 4,863,726
LIABILITIES						
Accounts Payable	$ 39,843	$ -	$ -	$ -	$ -	$ 39,843
Due to Other Funds	79,293	-	199,821	77,553	445,149	801,816
TOTAL LIABILITIES	119,136	-	199,821	77,553	445,149	841,659
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue - Delinquent Taxes	61,011	-	45,687	8,479	-	115,177
FUND BALANCES						
Restricted	-	-	1,655,913	1,000,946	-	2,656,859
Assigned	-	68,228	-	-	-	68,228
Unassigned	1,396,066	-	-	-	(214,263)	1,181,803
TOTAL FUND BALANCES	1,396,066	68,228	1,655,913	1,000,946	(214,263)	3,906,890
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 1,576,213	$ 68,228	$ 1,901,421	$ 1,086,978	$ 230,886	$ 4,863,726

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, 2020

Total fund balances - governmental funds		$ 3,906,890
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	$ 13,639,783	
Less: accumulated depreciation	2,642,537	
Net		10,997,246
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.		355,171
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.		115,177
Bond premiums that are amortized over the life of the debt issue		(24,232)
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		(7,825,286)
Net Pension Liability		(2,577,757)
Net Position - Governmental Activities		$ 4,947,209

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, 2020

	General Fund	Food Service Fund	Debt Service Fund	Capital Projects Fund	Little Gopher Daycare	Total Governmental Funds
REVENUES						
Local Sources	$ 2,467,724	$ 50,076	$ 328,324	$ 321,171	$ 46,673	$ 3,213,968
State Sources	1,846,318	6,678	-	-	8,955	1,861,951
Federal Sources	23,020	70,366	-	-	-	93,386
TOTAL REVENUES	4,337,062	127,120	328,324	321,171	55,628	5,169,305
EXPENDITURES						
Current:						
Regular Programs	1,585,501	-	-	-	40,937	1,626,438
Special Education	241,935	-	-	-	-	241,935
Other Programs and Services	276,517	-	-	-	-	276,517
District Wide Services	193,156	-	-	-	-	193,156
Administration	532,449	-	-	-	-	532,449
Operations and Maintenance	332,261	-	-	338,807	-	671,068
Food Services	61,534	81,650	-	-	-	143,184
Transportation	360,777	-	-	-	-	360,777
Student Activities	118,270	-	-	-	-	118,270
Capital Outlay:	-	-	-	474,752	-	474,752
Debt Service:						
Principal Retirement	-	-	253,617	-	-	253,617
Interest and Service Fees	-	-	92,895	-	-	92,895
TOTAL EXPENDITURES	3,702,400	81,650	346,512	813,559	40,937	4,985,058
Excess (Deficiency) of Revenues over (under) Expenditures	634,662	45,470	(18,188)	(492,388)	14,691	184,247
OTHER FINANCING SOURCES (USES)						
Transfers In	-	-	227,797	177,290	-	405,087
Transfers Out	(405,087)	-	-	-	-	(405,087)
TOTAL OTHER FINANCING SOURCES (USES)	(405,087)	-	227,797	177,290	-	-
Excess (Deficiency) of Revenues over Expenditures	229,575	45,470	209,609	(315,098)	14,691	184,247
Fund Balance - Beginning of Year	1,166,491	22,758	1,446,304	1,316,044	(228,954)	3,722,643
Fund Balance - End of Year	$ 1,396,066	$ 68,228	$ 1,655,913	$ 1,000,946	$ (214,263)	$ 3,906,890

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, 2020

Total net changes in fund balances - Governmental Funds		$ 184,247
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	$ 474,752	
Depreciation Expense	(407,417)	67,335
Gain (Loss) on Disposition of Assets		(2,803)
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.		253,617
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		(2,526)
Changes in deferred outflows and inflows of resources related to net pension liability		93,432
Amortization of premiums received from bond issuance		1,679
Change in net pension liability		(252,566)
Change in net position - Governmental Activities		$ 342,415

See Notes to the Financial Statements

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
STATEMENT OF ASSETS AND LIABILITIES – FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2020

ASSETS	
Cash and Cash Equivalents	$ 20,371
TOTAL ASSETS	$ 20,371
LIABILITIES	
Due to Student Groups	$ 20,371
TOTAL LIABILITIES	$ 20,371

See Notes to the Financial Statements

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.

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.

Fiduciary Funds

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

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

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.

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 or little gopher fund, as state law does not require a budget for these. 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

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.

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, 2020, 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.

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, 2020 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.

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, 2020.

NOTE 6 CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Disposals	Balance June 30, 2020
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 36,157	$ -	$ -	$ 36,157
Capital Assets Being Depreciated				
Buildings	11,484,771	382,363	-	11,867,134
Equipment	1,117,977	-	(8,800)	1,109,177
Vehicles	554,726	92,389	(19,800)	627,315
Total	13,157,474	474,752	(28,600)	13,603,626
Less Accumulated Depreciation				
Buildings	1,517,403	301,863	-	1,819,266
Equipment	558,687	73,271	(8,800)	623,158
Vehicles	184,827	32,283	(16,997)	200,113
Total	2,260,917	407,417	(25,797)	2,642,537
Net Capital Assets Being Depreciated	10,896,557	67,335	(2,803)	10,961,089
Net Capital Assets for Governmental Activities	$ 10,932,714	$ 67,335	$ (2,803)	$ 10,997,246

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

Regular Programs	$ 375,134
Transportation	32,283
	$ 407,417

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

Due to and due from other funds consisted of the following as of June 30, 2020:

	Due From	Due To	Total
General Fund	$ 734,359	$ (79,293)	$ 655,066
Debt Service Fund	67,457	(199,821)	(132,364)
Capital Projects Fund	-	(77,553)	(77,553)
Little Gopher Daycare	-	(445,149)	(445,149)
	$ 801,816	$ (801,816)	$ -

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

NOTE 9 LONG-TERM DEBT

During the year ended June 30, 2020, the following changes occurred in noncurrent liabilities:

	Balance 7/1/2019	Additions	Reductions	Balance 6/30/2020	Due within One Year
General Obligation Bonds, 2014	$ 2,390,000	$ -	$ 135,000	$ 2,255,000	$ 135,000
General Obligation Bonds, 2015	5,688,903	-	118,617	5,570,286	255,324
Bond Premium	25,911	-	1,679	24,232	1,679
	$ 8,104,814	$ -	$ 255,296	$ 7,849,518	$ 392,003

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:

GO Bonds 2015

Fiscal Year Ending June 30	Principal	Interest (net)	Total
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	311,087	86,133	397,220
2026	4,157,699	6,787	4,164,486
	$ 5,570,286	$ 494,589	$ 6,064,875

GO Bonds 2014

Fiscal Year Ending June 30	Principal	Interest	Total
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	150,000	52,213	202,213
2026-2030	800,000	198,609	998,609
2031-2034	745,000	72,506	817,506
	$ 2,255,000	$ 560,904	$ 2,815,904

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 $85,920 for the year ended June 30, 2020, in order to buydown the District's interest rate on the General Obligation School Building Bonds of 2015 by approximately 2%. These amounts were recorded as a reduction to interest expense.

NOTE 10 FUND BALANCE

Fund balance as of June 30, 2020 is as follows:

	General Fund	Food Service Fund	Debt Service Fund	Capital Projects Fund	Little Gopher Daycare	Total
Fund Balances:						
Restricted						
Debt Service	$ -	$ -	$ 1,655,913	$ -	$ -	$ 1,655,913
Capital Projects	-	-	-	1,000,946	-	1,000,946
Assigned						
Food Service	-	68,228	-	-	-	68,228
Unassigned	1,396,066	-	-	-	(214,263)	1,181,803
	$ 1,396,066	$ 68,228	$ 1,655,913	$ 1,000,946	$ (214,263)	$ 3,906,890

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

NOTE 11 TRANSFERS

Transfers between funds consisted of the following as of June 30, 2020:

	Transfer In	Transfer Out	Total
General Fund	$ -	$ (405,087)	$ (405,087)
Debt Service Fund	227,797	-	227,797
Capital Projects Fund	177,290	-	177,290
	$ 405,087	$ (405,087)	$ -

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.

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 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, 2020, the District reported a liability of $2,577,757 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2019, 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, 2019, the Employer's proportion was 0.18716657 percent which was an increase of 0.0012715 from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Employer recognized pension expense of $315,248. At June 30, 2020, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,681	$ (93,032)
Changes of assumptions	91,618	-
Net difference between projected and actual earnings on pension plan investments	36,285	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	194,803	(35,341)
Employer contributions subsequent to the measurement date	157,157	-
Total	$ 483,544	$ (128,373)

$157,157 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, 2021.

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 ended June 30:	
2021	$ 96,631
2022	35,448
2023	8,105
2024	27,889
2025	12,662
Thereafter	17,279

Actuarial Assumptions

The total pension liability in the July 1, 2019 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 and by 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, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58%	6.90%
Global Fixed Income	23%	2.10%
Global Real Assets	18%	5.40%
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, 2019. 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, 2019, 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, 2019. 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, 2019

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.

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	$ 3,481,288	$ 2,577,757	$ 1,826,901

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 13 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 (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 inland marine insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence.

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 14 DEFICIT FUND BALANCE

For the year ended June 30, 2020, the Little Gopher Daycare fund had a deficit balance of $214,263. The fund plans on reducing the deficits as it becomes more self sufficient.

NOTE 15 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, 2019. 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 June 15, 2021. 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, 2021. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides guidance to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notable, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement provides exceptions and clarifications regarding hedging derivative instruments for such transactions that result from the replacement of IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information* Arrangements provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* provides additional guidance for determining whether a primary government is financially accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities,* be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans,* or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

GASB Statement No. 99, *Omnibus 2022,* provides guidance on the following accounting matters:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of

the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.

- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statement.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to State ment 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62,* provides guidance on accounting and financial reporting requirements for accounting changes and error corrections. Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences,* provides guidance on the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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

NOTE 16 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 November 17, 2022, 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, 2020

	Original & Final Budget	Actual	Variance with Budget
REVENUES			
Local Sources	$ 1,639,029	$ 2,467,724	$ 828,695
State Sources	1,949,242	1,846,318	(102,924)
Federal Sources	112,619	23,020	(89,599)
TOTAL REVENUES	3,700,890	4,337,062	636,172
EXPENDITURES			
Regular Instruction	1,734,544	1,585,501	(149,043)
Special Education	208,160	241,935	33,775
Other Programs and Services	37,392	276,517	239,125
District Wide Services	98,025	193,156	95,131
Administration	444,010	532,449	88,439
Operations and Maintenance	421,658	332,261	(89,397)
Food Services	82,394	61,534	(20,860)
Transportation	266,574	360,777	94,203
Student Activities	141,820	118,270	(23,550)
TOTAL EXPENDITURES	3,434,577	3,702,400	267,823
Excess (Deficiency) of Revenues Over (Under) Expenditures	266,313	634,662	368,349
OTHER FINANCING SOURCES (USES)			
Transfers Out	-	(405,087)	(405,087)
TOTAL OTHER FINANCING SOURCES (USES)	-	(405,087)	(405,087)
Excess (Deficiency) of Revenues Over Expenditures	266,313	229,575	(36,738)
Fund Balance - Beginning	1,166,491	1,166,491	-
Fund Balance - Ending	$ 1,432,804	$ 1,396,066	$ (36,738)

See Notes to the Budgetary Comparison Schedule

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.

NOTE 2 EXPENDITURES IN EXCESS OF BUDGET

The District had $258,005 in expenditures that exceeded budgeted appropriations for the general fund for the year ended June 30, 2020. No remedial action is anticipated or required by the District regarding these excess expenditures.

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
2020	$ 157,157	$ (157,157)	$ -	$ 1,232,604	12.75%
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%

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

See Note to the Required Supplementary Information

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
2020	0.187167%	$ 2,577,757	$ 1,313,027	196.32%	65.50%
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%

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

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

See Note to the Required Supplementary Information

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.

BradyMartz

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 were engaged to audit the statement of net position, statement of activities, balance sheet, statement of revenues, expenditures and changes in fund balance, and the statement of net position of assets and liabilities – fiduciary fund of the governmental activities, each major fund and the aggregate remaining fund information, 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, of Grenora Public School District as of June 30, 2020, and have issued our report thereon dated November 17, 2022. Our report disclaims an opinion on the statement of activities and the statement of revenues, expenditures and changes in fund balance and the related notes to the financial statements because we were unable to obtain sufficient appropriate audit evidence.

Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statements listed in the first paragraph, we considered Grenora Public School District's internal control over financial reporting (internal control) as a basis for audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion 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 2020-002, 2020-003 and 2020-004 to be 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 2020-001 to be a significant deficiency.

Compliance And Other Matters

In connection with our engagement to audit the financial statements listed in the first paragraph of Grenora Public School District's financial statements as 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 noncompliance that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and responses as item 2020-004.

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

BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

November 17, 2022

2020-001: Significant Deficiency - Segregation of Duties

Criteria
A proper system of internal control has the proper segregation of duties between authorization, custody, record keeping and reconciliation. To provide reasonable assurance that segregation of duties take place while also taking into account the size of the District.

Condition
There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keeping and reconciliation.

Cause
The District is subject to size and budget constraints limiting the number of personnel within the accounting department.

Effect
The design of internal control over financial reporting could adversely affect the ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

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

Views of Responsible Officials and Planned Corrective Actions
In the fall of 2020 the finance committee started reviewing/comparing all bills to the check report and verify that all credit card statements have receipts. Starting November 2020 all checks have been hand signed by the school board president and business manager immediately after the finance committee has reviewed and the board approved. Also in 2020 prior to purchasing all purchases have been approved by administration and business manager through an evolving requisition and purchase order system.

2020-002: Material Weakness - Preparation of the Financial Statements

Criteria
An appropriate system of internal control requires the District to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

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

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

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

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

Views of Responsible Officials and Planned Corrective Actions
Starting 2023 Regular bank reconciliations will be done so balance sheets and presented expenses and revenue reports are accurately reviewed. In 2021 CREA accountants were hired to produce accurate spreadsheets of bank recs. Extensive time and effort has gone into remedy the differences between the software and bank.

2020-003: Material Weakness - Proposition of Journal Entries

Criteria
The District is required to maintain internal controls at a level where underlying support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with GAAP.

Condition
During our audit, adjusting entries to the financial statements were proposed in order to properly reflect the financial statements in accordance with GAAP.

Cause
The District's internal controls have not been designed to address the specific training needs required of its personnel to identify the adjustments necessary to properly reflect the financial statements in accordance with GAAP.

Effect
The District's financial statements were materially misstated prior to adjustments detected as a result of audit procedures.

Recommendation
Accounting personnel will need to determine the proper balance in each general ledger account prior to the audit.

Views of Responsible Officials and Planned Corrective Actions
Monthly bank reconciliations in software to account for bank transactions ensuring the balance sheet is correctly presented for all GL accounts.

2020-004: Material Weakness

Criteria
The District 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.
- Noted large adjustments to cash at the end of the 2020 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, deposits and checks 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
- 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.

Capital Assets
- The depreciation schedule for each fiscal year wasn't updated to properly reflect any current year additions or disposals.

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.

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 not reconciled timely or accurately, and mis-codings were noted in various income statement accounts.

Cash Disbursement testing

- During our disbursement testing we were unable to verify that two signatures were used to sign off on checks, according to the District's policy.
- During our disbursement testing, there was one instance where an invoice amount did not agree to the amount recorded in the general ledger detail.

Payroll Disbursement testing

- During payroll disbursement testing, we were unable to verify that four contract amounts were approved and unable to obtain two supporting timesheets for one employee.

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 District 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.

Views of Responsible Officials and Planned Corrective Actions
Bank statements will be reviewed and compared alongside software reconciliations by Mr. Rudningen and he will sign off once completed. Will work on updating to get depreciation schedule up to date. In November of 2021 the School Board approved annual audits. Starting fall of 2023 Superintendent and business manager will work on all journal entries together. The finance committee will review a journal entry report as Journal entries are made. Since this audit we will be able to get verification of two check signatures on all checks from both banks. Starting 2023 we are also documenting all additional contracts to verify payrolls.