

**GRIGGS-STEELE-TRAILL
MULTIDISTRICT
EDUCATIONAL SERVICES**

**FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

WITH INDEPENDENT AUDITOR'S REPORT

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

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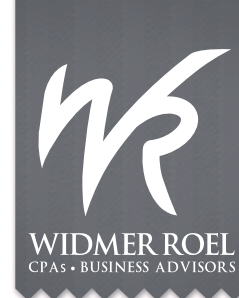
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GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

**GST MULTIDISTRICT OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2020**

June 30, 2020

Mike Bradner	Board President
Kevin Rogers	Board Vice President
Sara Bilden	Board Member
Shane Azure	Board Member
Jeremy Brandt	Board Member
Jeff Larson	Board Member
Paula Suda	Board Member
Derek Simonsen	Board Member
Mary Stammen	Executive Director
Karen Eliason	Business Manager



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INDEPENDENT AUDITOR'S REPORT

School Board and Administration
Griggs-Steele-Traill Multidistrict Educational Services
Portland, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and major fund of the **Griggs-Steele-Traill Multidistrict Educational Services** (GST Multidistrict) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise GST Multidistrict'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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and major fund of **Griggs-Steele-Traill Multidistrict Educational Services**, as of June 30, 2020 and 2019, and the respective changes in financial position thereof for the years 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 Schedule – General Fund, Schedule of Employer’s Share of Net Pension Liability, Schedule of Employer Contributions, and Notes to the Required Supplementary Information, 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 a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

The GST Multidistrict officials listing has not been subjected to 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 February 3, 2021, on our consideration of the **Griggs-Steele-Traill Multidistrict Educational Services’** 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 GST Multidistrict’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 **Griggs-Steele-Traill Multidistrict Educational Services’** internal control over financial reporting and compliance.



Fargo, North Dakota
February 3, 2021

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES**STATEMENT OF NET POSITION****JUNE 30, 2020**

	Governmental Activities
ASSETS	
Cash and investments	\$ 743,504
Intergovernmental receivable	322,136
Capital assets, net	<u>16,149</u>
Total assets	<u>1,081,789</u>
DEFERRED OUTFLOWS OF RESOURCES FROM PENSIONS	<u>611,534</u>
Total assets and deferred outflows of resources	<u><u>\$ 1,693,323</u></u>
LIABILITIES	
Accounts payable	\$ 4,650
Accrued expenses	428,444
Long-term liabilities	
Due within one year	
Compensated absences payable	4,209
Due after one year	
Compensated absences payable	37,881
Net pension liability	<u>3,500,534</u>
Total liabilities	<u>3,975,718</u>
DEFERRED INFLOWS OF RESOURCES FROM PENSIONS	<u>240,222</u>
NET POSITION	
Net investment in capital assets	16,149
Unrestricted	<u>(2,538,766)</u>
Total net position	<u>(2,522,617)</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 1,693,323</u></u>

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

		Program Revenues		Net Revenue
				(Expense) and
				Change in
				Net Position
	Expenses	Charges for	Operating	Total
		Services	Grants and	
			Contributions	
GOVERNMENTAL ACTIVITIES				
Preschool special education	\$ 102,966	\$ -	\$ 10,461	\$ (92,505)
Speech impaired	614,406	-	578,382	(36,024)
Learning disabled	2,107,377	-	1,764,661	(342,716)
Psychological services	94,669	-	-	(94,669)
Occupational therapy	110,695	-	-	(110,695)
Physical therapy	35,607	-	-	(35,607)
Governing board	51,732	-	-	(51,732)
Special area administrative service	351,290	-	-	(351,290)
Support service - business	60,943	-	-	(60,943)
Operations and maintenance	2,625	-	-	(2,625)
Other support services	25,143	-	-	(25,143)
Student transportation services	50,561	-	37,565	(12,996)
Summer school	31,362	-	-	(31,362)
Services provided for another LEA	605,225	-	-	(605,225)
Tuition and assessments	387,690	-	262,207	(125,483)
Total governmental activities	\$ <u>4,632,291</u>	\$ <u>-</u>	\$ <u>2,653,276</u>	<u>(1,979,015)</u>
GENERAL REVENUES				
Member districts				1,647,109
Interest and investment earnings				860
Other revenues				<u>9,916</u>
Total general revenues				<u>1,657,885</u>
Change in net position				(321,130)
Net position - July 1				<u>(2,201,487)</u>
Net position - June 30				\$ <u>(2,522,617)</u>

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2020

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 743,504
Intergovernmental receivable	<u>322,136</u>
Total assets	\$ <u><u>1,065,640</u></u>
LIABILITIES	
Accounts payable	\$ 4,650
Accrued expenses	<u>428,444</u>
Total liabilities	<u>433,094</u>
FUND BALANCES	
Unassigned	<u>632,546</u>
Total liabilities and fund balances	\$ <u><u>1,065,640</u></u>

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

Total fund balances for governmental funds	\$ 632,546
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds	16,149
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds	
Deferred outflows of resources related to pensions	611,534
Deferred inflows of resources related to pensions	(240,222)
Long-term liabilities applicable to the School District's net pension liability are not due and payable in the current period and accordingly are not reported as fund liabilities - both current and long-term are reported in the statement of net position	
Compensated absences	(42,090)
Net pension liability	<u>(3,500,534)</u>
Total net position of governmental activities	\$ <u><u>(2,522,617)</u></u>

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund
REVENUES	
Local sources	\$ 1,657,886
State sources	2,064,433
Federal sources	<u>588,844</u>
Total revenues	<u>4,311,163</u>
EXPENDITURES	
Governing board	51,732
Learning disabled	2,007,681
Occupational therapy	110,695
Other support services - student	25,143
Physical therapy	35,607
Plant operations	2,625
Preschool special education	97,752
Psychological services	91,797
Services to another LEA	605,490
Special area administrative service	341,305
Special education tuition	387,690
Speech impaired	594,070
Student transportation services	39,927
Summer school	31,362
Support service - business	<u>60,970</u>
Total expenditures	<u>4,483,846</u>
Net change in fund balances	<u>(172,683)</u>
FUND BALANCES - JULY 1	<u>805,229</u>
FUND BALANCES - JUNE 30	<u><u>\$ 632,546</u></u>

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Net change in fund balances - total governmental funds	\$ (172,683)
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The change in net position reported for governmental activities in the statement of activities is different because:

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

Depreciation expense	(10,634)
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In the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. In the government funds, however, the contributions are reported as expense.

Net change in compensated absences	1,662
Pension expense	(139,475)

Change in net position of governmental activities	\$ <u>(321,130)</u>
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GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES**STATEMENT OF NET POSITION****JUNE 30, 2019**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 956,678
Intergovernmental receivable	322,673
Capital assets, net	<u>26,783</u>
Total assets	<u>1,306,134</u>
DEFERRED OUTFLOWS OF RESOURCES FROM PENSIONS	<u>658,168</u>
Total assets and deferred outflows of resources	<u><u>\$ 1,964,302</u></u>
LIABILITIES	
Accounts payable	\$ 90,023
Accrued expenses	384,099
Long-term liabilities	
Due within one year	
Compensated absences payable	4,375
Due after one year	
Compensated absences payable	39,377
Net pension liability	<u>3,453,373</u>
Total liabilities	<u>3,971,247</u>
DEFERRED INFLOWS OF RESOURCES FROM PENSIONS	<u>194,542</u>
NET POSITION	
Net investment in capital assets	26,783
Unrestricted	<u>(2,228,270)</u>
Total net position	<u>(2,201,487)</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 1,964,302</u></u>

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

		Program Revenues		Net Revenue
			Operating	(Expense) and
		Charges for	Grants and	Change in
	Expenses	Services	Contributions	Net Position
				Total
GOVERNMENTAL ACTIVITIES				
Preschool special education	\$ 85,431	\$ -	\$ 9,688	\$ (75,743)
Speech impaired	595,451	-	551,186	(44,265)
Learning disabled	1,812,317	-	1,620,328	(191,989)
Occupational therapy	93,838	-	-	(93,838)
Physical therapy	45,839	-	-	(45,839)
Psychological services	94,281	-	-	(94,281)
Summer school	30,211	-	-	(30,211)
Other support services - student	20,557	-	-	(20,557)
Governing board	52,959	-	-	(52,959)
Special area administrative service	325,250	-	-	(325,250)
Support service - business	69,598	-	-	(69,598)
Services to another LEA	684,029	-	-	(684,029)
Operations and maintenance	2,525	-	-	(2,525)
Student transportation services	71,304	-	24,828	(46,476)
Tuition and assessments	416,707	-	394,184	(22,523)
Total governmental activities	\$ <u>4,400,297</u>	\$ <u>-</u>	\$ <u>2,600,214</u>	<u>(1,800,083)</u>
GENERAL REVENUES				
Member districts				1,876,695
Interest				1,438
Other revenues				<u>7,456</u>
Total general revenues				<u>1,885,589</u>
Change in net position				85,506
Net position - July 1				<u>(2,286,993)</u>
Net position - June 30				\$ <u><u>(2,201,487)</u></u>

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

BALANCE SHEET – GOVERNMENT FUNDS

JUNE 30, 2019

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 956,678
Intergovernmental receivable	<u>322,673</u>
Total assets	\$ <u><u>1,279,351</u></u>
LIABILITIES	
Accounts payable	\$ 90,023
Accrued expenses	<u>384,099</u>
Total liabilities	<u>474,122</u>
FUND BALANCES	
Unassigned	<u>805,229</u>
Total liabilities and fund balances	\$ <u><u>1,279,351</u></u>

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total fund balances for governmental funds	\$ 805,229
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 are not reported in the governmental funds	26,783
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds	
Deferred outflows of resources related to pensions	658,168
Deferred inflows of resources related to pensions	(194,542)
Long-term liabilities applicable to the School District's net pension liability are not due and payable in the current period and accordingly are not reported as fund liabilities - both current and long-term are reported in the statement of net position	
Compensated absences	(43,752)
Net pension liability	<u>(3,453,373)</u>
Total net position of governmental activities	\$ <u><u>(2,201,487)</u></u>

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund
REVENUES	
Local sources	\$ 1,885,590
State sources	2,143,491
Federal sources	<u>560,874</u>
Total revenues	<u>4,589,955</u>
EXPENDITURES	
Governing board	52,959
Learning disabled	1,732,176
Occupational therapy	93,838
Other support services - student	20,557
Physical therapy	45,839
Plant operations	2,525
Preschool special education	81,471
Psychological services	92,068
Services to another LEA	683,340
Special area administrative service	339,542
Special education tuition	416,707
Speech impaired	579,866
Student transportation services	57,376
Summer school	30,211
Support service - business	<u>69,528</u>
Total expenditures	<u>4,298,003</u>
Net change in fund balances	<u>291,952</u>
FUND BALANCES - JULY 1	<u>513,277</u>
FUND BALANCES - JUNE 30	<u>\$ 805,229</u>

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds \$ 291,952

Amount reported for governmental activities in the statement of activities are different because:

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

Current year capital outlay	22,021	
Depreciation expense	(13,928)	
	8,093	

Change in long-term intergovernmental receivables	(104,152)
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In the statement of activities, certain operating expense measured by the amounts earned during the year. In the government funds, however, the expenditures for these items are measured by the amount of financial resources paid

Net change in compensated absences	(16,118)
Pension expense	(94,269)
	85,506

Change in net position of governmental activities	\$ 85,506
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GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Griggs-Steele-Traill Multidistrict Educational Services (“GST Multidistrict”) operates under Chapter 15.1-33 of the North Dakota Century Code. The financial statements of GST Multidistrict have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the GST Multidistrict’s accounting policies are described below.

Reporting Entity

The accompanying financial statements present the activities of GST Multidistrict. GST Multidistrict has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationships with GST Multidistrict are such that exclusion would cause the its financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization’s governing body and (1) the ability of the GST Multidistrict to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on GST Multidistrict. Based on these criteria, there are no component units to be included within GST Multidistrict as a reporting entity.

Basis of Presentation

Government-wide statements: The statement of net position and the statement of activities display information about the primary government of GST Multidistrict. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. The statement of activities presents a comparison between direct expenses and program revenues for each function of GST Multidistrict’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including taxes, interest and non-restricted grants and contributions, are presented as general revenues. *Fund Financial Statements:* The fund financial statements provide information about GST Multidistrict’s general fund. Separate statements for each fund category-*governmental* are presented. The emphasis of fund financial statements is on the major governmental fund, displayed in a separate column.

GST Multidistrict reports the following major governmental fund:

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

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Measurement Focus and Basis of Accounting

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

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

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

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

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and savings accounts.

Capital Assets

Capital assets include property, plant and equipment. Capital assets are reported in the governmental activities column of the government-wide financial statements. Capital assets are defined by GST Multidistrict as assets with an initial, individual cost of \$3,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Computer equipment	3 years
Office furniture and equipment	1 year
Audio and visual equipment	1 year
Transportation vehicles and equipment	5 years
Other fixed assets	1 year

(Continued)

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Pensions

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

Fund Balance

Fund Balance Spending Policy

The order of spending and availability of the fund balance shall be to reduce funds from the listed areas in the following order: restricted, committed, assigned, and unassigned. Fund Balance Reporting and Governmental Fund Type Definitions GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

CLASSIFICATION	DEFINITION	EXAMPLES
Non-spendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables (loans), endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the governing board. Formal action is required to be taken to establish, modify or rescind a fund balance commitment.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the business manager.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance.	Available for any remaining general fund expenditure.

GST Multidistrict reports unassigned fund balance in the balance sheet in the general fund at each year-end. GST Multidistrict has no other funds to report.

(Continued)

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Net Position

When both restricted and unrestricted resources are available for use, it is GST Multidistrict's policy to first use restricted resources, then unrestricted resources as they are needed. Net investment in capital assets in the statement of net position is shown for capital assets less accumulated depreciation, and less any related debt used to finance the purchase and construction of those capital assets. The resources needed to repay this related debt must be provided from other sources, since the capital assets are not used to liquidate these liabilities. These assets are not available for future spending. Unrestricted net position consists of activity related to the general fund. The unrestricted net position is available to meet GST Multidistrict's ongoing obligations.

NOTE 2 – CASH AND CASH EQUIVALENTS

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

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

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the state of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board.

At the years ended June 30, 2020 and 2019, GST Multidistrict's carrying amounts of deposits were \$743,504 and \$956,678, respectively, and the bank balances were \$856,407 and \$1,044,624, respectively. Of these balances, \$250,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk:

GST Multidistrict may invest idle funds as authorized in North Dakota Statutes, as follows:

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

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Concentration of Credit Risk:

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

NOTE 3 – INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables consist of amounts due from the State of North Dakota for appropriated amounts or grant payments, as well as contract payments from member or other school districts.

NOTE 4 – CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Capital assets				
Vehicles	\$ 138,821	\$ -	\$ (5,000)	\$ 143,821
Equipment	<u>26,625</u>	<u>-</u>	<u>-</u>	<u>26,625</u>
Total capital assets	<u>165,446</u>	<u>-</u>	<u>(5,000)</u>	<u>170,446</u>
Less accumulated depreciation for				
Vehicles	112,038	10,634	(5,000)	127,672
Equipment	<u>26,625</u>	<u>-</u>	<u>-</u>	<u>26,625</u>
Total accumulated depreciation	<u>138,663</u>	<u>10,634</u>	<u>(5,000)</u>	<u>154,297</u>
Capital assets, net	\$ <u>26,783</u>	\$ <u>(10,634)</u>	\$ <u>-</u>	\$ <u>16,149</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Capital assets				
Vehicles	\$ 116,800	\$ 22,021	\$ -	\$ 138,821
Equipment	<u>26,625</u>	<u>-</u>	<u>-</u>	<u>26,625</u>
Total capital assets	<u>143,425</u>	<u>22,021</u>	<u>-</u>	<u>165,446</u>
Less accumulated depreciation for				
Vehicles	98,110	13,928	-	112,038
Equipment	<u>26,625</u>	<u>-</u>	<u>-</u>	<u>26,625</u>
Total accumulated depreciation	<u>124,735</u>	<u>13,928</u>	<u>-</u>	<u>138,663</u>
Capital assets, net	\$ <u>18,690</u>	\$ <u>8,093</u>	\$ <u>-</u>	\$ <u>26,783</u>

All depreciation expense, totaling \$10,634 in 2020 and \$13,928 in 2019 was charged to the transportation function.

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

NOTE 5 – COMPENSATED ABSENCES

GST Multidistrict records a liability based on the amounts of accrued but unpaid sick, vacation and personal leave. Staff who have been with GST Multidistrict for more than 10 years are paid \$25 per accrued sick day upon termination of employment, up to 90 days. The current portion of compensated absences payable is estimated at 10% of the balance.

NOTE 6 – RISK MANAGEMENT

GST Multidistrict 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. GST Multidistrict pays an annual premium to NDIRF for its auto and public assets coverage. The coverage by NDIRF is limited to losses of three million dollars per occurrence for automobile coverage, \$80,000 for computers and software, and \$20,000 for other personal property. GST Multidistrict purchases commercial insurance for general liability which has an aggregate limit of three million dollars.

GST Multidistrict has workers compensation with the North Dakota Workforce Safety and Insurance.

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

NOTE 7 – PENSION PLANS

General Information about the TFFR Pension Plan

North Dakota Teacher's Fund for Retirement ("TFFR")

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.

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

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.

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Death and Disability Benefits

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

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

Member and Employer Contributions - 2020

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

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

At June 30, 2020, GST Multidistrict reported a liability of \$3,500,534 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 GST Multidistrict's proportion of the net pension liability was based on GST Multidistrict's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2019, GST Multidistrict's proportion was 0.254168 percent, which was a decrease of .004927 from its proportion measured as of July 1, 2018.

For the year ended June 30, 2020, GST Multidistrict recognized pension expense of \$389,209. At June 30, 2020, GST Multidistrict reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,998	\$ 126,336
Changes of assumptions	124,415	-
Net difference between projected and actual earnings on pension plan investments	49,274	-

(Continued)

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion and differences between employer contributions and proportionate share of contributions	183,112	113,886
Employer contributions subsequent to the measurement date	<u>249,735</u>	<u>-</u>
	\$ <u>611,534</u>	\$ <u>240,222</u>

\$249,735 reported as deferred outflows of resources related to pensions resulting from GST Multidistrict contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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

Year ended June 30:

2021	\$ 92,333
2022	9,252
2023	28,281
2024	22,547
2025	(13,180)
Thereafter	(17,656)

Member and Employer Contributions - 2019

At June 30, 2019, GST Multidistrict reported a liability of \$3,453,373 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. GST Multidistrict's proportion of the net pension liability was based on GST Multidistrict's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2018, GST Multidistrict's proportion was 0.259095 percent, which was a decrease of .008085 from its proportion measured as of July 1, 2018.

For the year ended June 30, 2019, the GST Multidistrict recognized pension expense of \$321,608. At June 30, 2019, GST Multidistrict reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 9,373	\$ 93,922
Changes of assumptions	190,240	-

(Continued)

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	-	11,939
Changes in proportion and differences between employer contributions and proportionate share of contributions	231,215	88,681
Employer contributions subsequent to the measurement date	<u>227,340</u>	<u>-</u>
	\$ <u><u>658,168</u></u>	\$ <u><u>194,542</u></u>

\$227,340 reported as deferred outflows of resources related to pensions resulting from GST Multidistrict contributions subsequent to the measurement date were recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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 are 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, 2019, 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.

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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 Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equities	58%	6.9%
Global fixed income	23%	2.1%
Global real assets	18%	5.4%
Cash equivalents	1%	0.0%

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 July 1, 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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents GST Multidistrict's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what GST Multidistrict'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, 2020

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of net pension liability	\$ <u>4,727,507</u>	\$ <u>3,500,534</u>	\$ <u>2,480,888</u>

(Continued)

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

June 30, 2019

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of net pension liability	\$ <u>4,663,052</u>	\$ <u>3,453,373</u>	\$ <u>2,447,295</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report, located in the North Dakota Retirement and Investments Office's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. Additional financial and actuarial information is available on their website www.nd.gov/rio/sib/publications/cafr/default.htm, or may be obtained by writing to ND Retirement and Investment office, 3442 East Century Avenue, PO Box 7100, Bismarck, North Dakota, 58507-7100 or by calling (701) 328-9885.

NOTE 8 – SUBSEQUENT EVENTS

As of the date through which GST Multidistrict has evaluated events occurring subsequent to June 30, 2020, GST Multidistrict believes it understands the risk associated with COVID-19. GST Multidistrict is in the process of implementing risk mitigation tactics for GST Multidistrict as to the risk of the impact, if any, of COVID-19 related to all aspects of GST Multidistrict's business transactions and human interaction within and outside school facilities.

**GRIGGS-STEELE-TRAILL
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**REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020 AND 2019**

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

Schedule of Employer's Share of Net Pension Liability

<u>Pension Plan</u>	<u>Measurement Date</u>	<u>Employer's Proportion of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
ND TFFR	6/30/2019	0.254168%	\$ 3,500,534	\$ 1,783,059	196.32%	65.5%
ND TFFR	6/30/2018	0.259095%	\$ 3,453,373	\$ 1,761,354	196.06%	65.5%
ND TFFR	6/30/2017	0.251010%	\$ 3,447,691	\$ 1,694,248	203.49%	63.2%
ND TFFR	6/30/2016	0.245532%	\$ 3,597,192	\$ 1,595,284	225.49%	59.2%
ND TFFR	6/30/2015	0.231186%	\$ 3,023,578	\$ 1,422,035	212.62%	62.1%
ND TFFR	6/30/2014	0.249042%	\$ 2,609,519	\$ 1,444,577	180.64%	66.6%

*Complete data for this schedule is not available prior to 2014.

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

SCHEDULE OF EMPLOYER CONTRIBUTIONS LAST 10 FISCAL YEARS*

Schedule of Employer's Contributions						
Pension Plan	Measurement Date	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
ND TFFR	6/30/2019	\$ 227,340	\$ (227,340)	\$ -	\$ 1,783,059	12.75%
ND TFFR	6/30/2018	\$ 224,573	\$ (224,573)	\$ -	\$ 1,761,534	12.75%
ND TFFR	6/30/2017	\$ 224,573	\$ (224,573)	\$ -	\$ 18,388,340	1.22%
ND TFFR	6/30/2016	\$ 216,017	\$ (216,017)	\$ -	\$ 16,446,502	1.31%
ND TFFR	6/30/2015	\$ 203,399	\$ (203,399)	\$ -	\$ 13,883,985	1.46%
ND TFFR	6/30/2014	\$ 181,301	\$ (181,301)	\$ -	\$ 11,706,000	1.55%
ND TFFR	6/30/2013	\$ 155,291	\$ (155,291)	\$ -	\$ 11,706,000	1.33%

*Complete data for this schedule is not available prior to 2014.

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
REVENUES				
Local sources	\$ 1,415,742	\$ 1,415,742	\$ 1,657,886	\$ 242,144
State sources	1,946,355	1,946,355	2,064,433	118,078
Federal sources	<u>588,844</u>	<u>588,844</u>	<u>588,844</u>	<u>-</u>
Total revenues	<u>3,950,941</u>	<u>3,950,941</u>	<u>4,311,163</u>	<u>360,222</u>
EXPENDITURES				
Governing board	57,641	57,641	51,732	(5,909)
Learning disabled	1,971,721	1,971,721	2,007,681	35,960
Occupational therapy	99,333	99,333	110,695	11,362
Other support services - student	21,500	21,500	25,143	3,643
Physical therapy	55,000	55,000	35,607	(19,393)
Plant operations	2,500	2,500	2,625	125
Preschool special education	98,373	98,373	97,752	(621)
Psychological services	97,005	97,005	91,797	(5,208)
Services to another LEA	550,465	550,465	605,490	55,025
Special area administrative service	333,069	333,069	341,305	8,236
Special education tuition	110,000	110,000	387,690	277,690
Speech impaired	598,269	598,269	594,070	(4,199)
Student transportation services	60,000	60,000	39,927	(20,073)
Summer school	43,000	43,000	31,362	(11,638)
Support service - business	<u>53,091</u>	<u>53,091</u>	<u>60,970</u>	<u>7,879</u>
Total expenditures	<u>4,150,967</u>	<u>4,150,967</u>	<u>4,483,846</u>	<u>332,879</u>
Net change in fund balance	<u>(200,026)</u>	<u>(200,026)</u>	<u>(172,683)</u>	<u>27,343</u>
FUND BALANCE, JULY 1	<u>805,229</u>	<u>805,229</u>	<u>805,229</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 605,203</u>	<u>\$ 605,203</u>	<u>\$ 632,546</u>	<u>\$ 27,343</u>

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
REVENUES				
Local sources	\$ 1,563,769	\$ 1,563,769	\$ 1,885,590	\$ 321,821
State sources	1,898,780	1,898,780	2,143,491	244,711
Federal sources	<u>560,873</u>	<u>560,873</u>	<u>560,874</u>	<u>1</u>
Total revenues	<u>4,023,422</u>	<u>4,023,422</u>	<u>4,589,955</u>	<u>566,533</u>
EXPENDITURES				
Governing board	53,881	53,881	52,959	(922)
Learning disabled	1,750,896	1,750,896	1,732,176	(18,720)
Occupational therapy	96,502	96,502	93,838	(2,664)
Other support services - student	21,500	21,500	20,557	(943)
Physical therapy	55,000	55,000	45,839	(9,161)
Plant operations	2,500	2,500	2,525	25
Preschool special education	97,631	97,631	81,471	(16,160)
Psychological services	96,091	96,091	92,068	(4,023)
Services to another LEA	748,370	748,370	683,340	(65,030)
Special area administrative service	332,029	332,029	339,542	7,513
Special education tuition	110,000	110,000	416,707	306,707
Speech impaired	583,841	583,841	579,866	(3,975)
Student transportation services	75,000	75,000	57,376	(17,624)
Summer school	43,000	43,000	30,211	(12,789)
Support service - business	<u>57,184</u>	<u>57,184</u>	<u>69,528</u>	<u>12,344</u>
Total expenditures	<u>4,123,425</u>	<u>4,123,425</u>	<u>4,298,003</u>	<u>174,578</u>
Net change in fund balance	<u>(100,003)</u>	<u>(100,003)</u>	<u>291,952</u>	<u>391,955</u>
FUND BALANCE, JULY 1	<u>513,277</u>	<u>513,277</u>	<u>513,277</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 413,274</u>	<u>\$ 413,274</u>	<u>\$ 805,229</u>	<u>\$ 391,955</u>

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2020

NOTE 1 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund. A budgetary comparison schedule is presented for the general fund.

- GST Multidistrict adopts an appropriated budget on the modified accrual basis of accounting.
- Annually on or before September tenth, GST Multidistrict prepares a preliminary budget.
- The preliminary budget includes the estimated revenues and appropriations for the general fund of GST Multidistrict.
- GST Multidistrict shall meet and hear any and all protests or objections to the items or amounts set forth in the preliminary budget. At the hearing, GST Multidistrict shall make any changes in the items or amounts shown in the preliminary budget.
- The final budget must be filed with the county auditor before October 10th so that the county has adequate time to prepare the appropriate mill levy for GST Multidistrict.
- Each budget is controlled by the business manager at the revenue and expenditure function/object level.
- The current budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- All appropriations lapse at year-end.

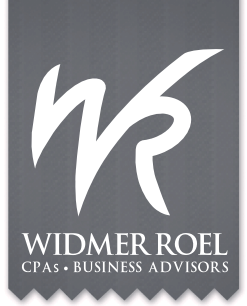
Expenditures in Excess of Appropriations

During the years ended June 30, 2020 and 2019, expenditures exceeded appropriations by \$332,879 and \$174,578, respectively.

NOTE 2 – PENSION PLAN – CHANGES OF ASSUMPTIONS

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.



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**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
Griggs-Steele-Traill Multidistrict Educational Services
Portland, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of **Griggs-Steele-Traill Multidistrict Educational Services**, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise **Services'** basic financial statements and have issued our report thereon dated February 3, 2021.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered **Griggs-Steele-Traill Multidistrict Educational Services'** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Griggs-Steele-Traill Multidistrict Educational Services'** internal control. Accordingly, we do not express an opinion on the effectiveness of the **Griggs-Steele-Traill Multidistrict Educational Services'** internal control.

Our consideration of internal control over financial reporting 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 deficiencies in internal control that we consider to be material weaknesses 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 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 2020-001, 2020-002, and 2020-003 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 accompanying schedule of findings and responses as item 2020-004 to be a significant deficiency.

Compliance and Other Matters

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

Griggs-Steele-Traill Multidistrict Educational Services' Response to Findings

Griggs-Steele-Traill Multidistrict Educational Services' response to the findings identified in our audit is described in the accompanying schedule of findings and responses. **Griggs-Steele-Traill Multidistrict Educational Services'** response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Fargo, North Dakota
February 3, 2021

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

2020-001 (MATERIAL WEAKNESS) – SEGREGATION OF DUTIES

Condition

The limited number of personnel prevents a proper segregation of duties to ensure adequate internal control.

Criteria

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

Cause

Due to the size of GST Multidistrict, it is not practical to have sufficient staff to ensure adequate segregation of approval, custody of assets, posting, and reconciliation.

Effect

Inadequate segregation of duties could adversely affect the GST Multidistrict's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees or management in the normal course of performing their assigned functions.

Recommendation

We recommend that management be aware of the lack of segregation of duties and implement controls wherever possible to mitigate this risk. We recommend that the GST Multidistrict implement and/or continue the following:

- All invoices should be reviewed and approved by the executive director and the governing board.
- Ideally, all checks should be signed by the executive director and/or a board member.
- Monthly income statements and balance sheets should be reviewed and approved by a responsible official and the governing board.
- Bank reconciliations should be reviewed and approved by someone separate from bank reconciliation responsibilities.

Views of Responsible Officials

Due to the size of the District, it is not feasible to obtain proper segregation of duties. The cost of adding personnel would exceed the benefit.

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

2020-002 (MATERIAL WEAKNESS) – FINANCIAL STATEMENT PREPARATION

Condition

Widmer Roel assists management in preparing financial statements that are presented, including note disclosures, in conformity with generally accepted accounting principles.

Criteria

As a matter of internal control, management should be responsible for and capable of preparing financial statements and notes to the financial statements in conformity with generally accepted accounting principles.

Cause

Management and the board feel that it is more cost effective to ask an independent accountant to prepare the complete financial statements and disclosures, rather than to invest in ongoing specialized training that would be necessary.

Effect

Without the assistance of the auditors, the financial statements could be misstated or omit material financial statement disclosures.

Recommendation

We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. We further recommend that a responsible official review a current appropriate disclosure checklist or other guidance to ensure the financial statements contain all necessary disclosures.

Views of Responsible Officials

Due to cost constraints, the GST Multidistrict will continue to have the auditors draft the financial statements and accompanying notes to the financial statements, as well as formulate the necessary adjusting journal entries to convert the fund financial statement in accordance with GASB No. 34.

2020-003 (MATERIAL WEAKNESS) – MATERIAL AUDIT ADJUSTMENTS

Condition

There were identified misstatements in the GST Multidistrict's financial statements causing material proposed audit adjustments. The primary adjustments consisted of:

- Offsetting adjustment of 2019 cash and receivables
- Reclassification of 2019 and 2020 receivables, payables and accrued expenses
- Government-wide only entries to record property and equipment and related depreciation
- Government-wide only entries to record pension-related transactions and balances

Criteria

A good system of internal accounting control contemplates proper reconciliation of all general ledger accounts and adjustments of those accounts to the reconciled balances on a timely basis.

(Continued)

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Cause

For the adjustment to cash and receivables, the bank reconciliation at the end of 2019 was not correctly completed in the accounting system. (We noted cash was accurately reconciled in 2020).

For the remaining adjustments, GST Multidistrict has a system for recording certain year-end transactions which functions effectively as a practical matter for GST Multidistrict's internal financial reporting purposes. However, for external financial reporting in accordance with generally accepted accounting principles, the additional adjustments are necessary.

Effect

Inadequate internal controls over recording of transactions affects the GST Multidistrict's ability to detect misstatements in amounts that could be material in relation to the financial statements.

Recommendation

We recommend management review the listing of adjusting entries provided by us at conclusion of the audit and understand their general meaning and purpose. We recommend management understand the source of the pension-related disclosures and where to find the underlying information. We also recommend management review the property and equipment schedule and acknowledge receipt of the same.

Views of Responsible Officials

Due to cost constraints, the GST Multidistrict will continue to have the auditors draft the financial statements and accompanying notes to the financial statements, as well as formulate the necessary adjusting journal entries to convert the fund financial statement in accordance with GASB No. 34.

2020-004 (SIGNIFICANT DEFICIENCIES) – RECONCILIATION OF CASH

Condition

GST Multidistrict's June 30, 2019 bank reconciliation did not balance to the general ledger cash amounts recorded. The cleared checks had not been correctly cleared in the banking system, and upon reviewing the reconciliation we identified a proposed audit adjustment in the amount of \$60,831. (Note: the offsetting account was receivables, so there was no net effect on total assets, revenue or expenses.)

Criteria

Reconciliation of cash is an essential internal control in governments, as it helps to ensure all cash receipts and disbursements have been recorded in the financial statements. This helps prevent, or timely detect, misstatements in the financial statements, whether due to errors or fraud.

Cause

The staff responsible for preparing the reconciliation was still relatively new to the organization, and it appears the account may have been reconciled but not properly "saved" due to human error. We noted that the June 2020 bank reconciliation was properly completed.

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Effect

If accounts are not timely and accurately reconciled, the financial statements are at greater risk of material misstatement due to errors or fraud.

Recommendation

We recommend that a responsible member of management and/or the board review the monthly bank reconciliations as part of GST Multidistrict's reporting package.

Views of Responsible Officials

This issue was due to lack of experience with the software at the time; more training with the vendor has since occurred.