

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

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
ROSTER OF SCHOOL OFFICIALS – UNAUDITED
AT JUNE 30, 2021

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Grand Forks Public School District No. 1, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Grand Forks Public School District No. 1, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 12 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. As discussed in Note 12 to the financial statements, the District has restated the previously reported Net Position and Fund Balances in accordance with this statement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of District's contributions to TFFR retirement plan, and schedule of District's proportionate share of net pension liability as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other

records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 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 & ASSOCIATES, P.C.
GRAND FORKS NORTH DAKOTA**

February 24, 2022

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

The discussion and analysis of Grand Forks Public School District's financial performance provides an overall review of the District's financial activities for the year ended June 30, 2021. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2021 are as follows:

- Net position of the District decreased by \$1,382,660 as a result of the current year's operations.
- Governmental net position totaled (\$6,012,749).
- The District's general fund had \$114,671,630 in total revenues, \$117,628,323 in expenditures and \$461,976 in other financing sources. Overall, the general fund balance decreased by \$2,494,717 for the year ended June 30, 2021, and now totals \$8,638,787.

Using this Annual Report

This annual report consists of a series of financial statements and related footnotes. These statements are organized so the reader can understand Grand Forks Public School District No. 1 as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District do financially during the year ended June 30, 2021?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, liabilities, and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Financial Analysis of the District as a Whole

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

The increase in long-term liabilities was largely due to an increase in the net pension liability during the year and the issuance of bonds during the year.

The District's net position of (\$6,012,749) is segregated into three separate categories. Net investment in capital assets represents \$68,882,033 of the District's entire net position. It should be noted that these resources are not available for future spending. Restricted net position of \$3,948,494 represents amounts that are externally restricted as to their use. The unrestricted net position is available to meet the District's ongoing obligations.

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

Table 1 provides a summary of the District's net position as of June 30, 2021.

Table 1
Net Position

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Assets			
Current Assets	\$ 25,153,183	\$ 23,966,290	\$ 1,186,893
Capital Assets (net of accumulated depreciation)	<u>92,794,220</u>	<u>92,056,634</u>	<u>737,586</u>
Total Assets	<u>117,947,403</u>	<u>116,022,924</u>	<u>1,924,479</u>
Deferred Outflows of Resources	<u>17,881,360</u>	<u>11,514,161</u>	<u>6,367,199</u>
Liabilities			
Current Liabilities	3,650,709	3,748,388	(97,679)
Long-Term Liabilities	<u>131,334,693</u>	<u>123,156,776</u>	<u>8,177,917</u>
Total Liabilities	<u>134,985,402</u>	<u>126,905,164</u>	<u>8,080,238</u>
Deferred Inflows of Resources	<u>6,856,110</u>	<u>6,047,386</u>	<u>808,724</u>
Net Position			
Net Investment in Capital Assets	68,882,033	66,033,400	2,848,633
Restricted	3,948,494	1,622,545	2,325,949
Unrestricted	<u>(78,843,276)</u>	<u>(73,071,410)</u>	<u>(5,771,866)</u>
Total Net Position	<u>\$ (6,012,749)</u>	<u>\$ (5,415,465)</u>	<u>\$ (597,284)</u>

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

Table 2 shows the changes in net position for the fiscal year ended June 30, 2021.

Table 2
Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Revenues			
Program Revenues:			
Charges for Services	\$ 5,626,517	\$ 7,439,083	\$ (1,812,566)
Operating Grants and Contributions	24,666,185	16,341,746	8,324,439
Capital Grants and Contributions	-	409,289	(409,289)
General Revenues:			
Taxes	24,478,334	24,003,998	474,336
State Aid	64,968,821	63,605,791	1,363,030
Gain on Sale of Capital Assets	134,072	402,719	(268,647)
Other	2,913,154	1,391,239	1,521,915
Total Revenues	<u>122,787,083</u>	<u>113,593,865</u>	<u>9,193,218</u>
Expenses			
Instruction	75,622,460	70,910,114	4,712,346
Support Services:			
Pupil and Instructional Staff Services	15,690,647	14,401,136	1,289,511
Headstart	419,008	343,220	75,788
Special Education	2,688,386	2,960,367	(271,981)
Career Technical Education	354,478	451,040	(96,562)
General Administration Services	1,718,278	1,695,102	23,176
School Administration Services	6,131,190	6,049,705	81,485
Business Services	2,041,236	2,112,617	(71,381)
Operations and Maintenance	9,052,574	9,072,255	(19,681)
Pupil Transportation Services	1,566,600	1,428,173	138,427
Extracurricular Activities	4,082,867	3,955,086	127,781
Food Services	3,841,889	4,112,763	(270,874)
Community Services	488,135	608,341	(120,206)
Interest on Long-Term Debt	467,544	421,103	46,441
Bond Issuance Costs	4,451	109,958	(105,507)
Total Expenses	<u>124,169,743</u>	<u>118,630,980</u>	<u>5,538,763</u>
Increase (Decrease) in Net Position	(1,382,660)	(5,037,115)	3,654,455
Net Position - Beginning	<u>(5,415,465)</u>	<u>(378,350)</u>	<u>(5,037,115)</u>
GASB 84 Adjustment - See Note 12	<u>785,376</u>	<u>-</u>	<u>785,376</u>
Net Position - Beginning as Restated	<u>(4,630,089)</u>	<u>(378,350)</u>	<u>(4,251,739)</u>
Net Position - Ending	<u>\$ (6,012,749)</u>	<u>\$ (5,415,465)</u>	<u>\$ (597,284)</u>

Property taxes constituted 20%, state aid 53%, operating grants and contributions 20%, and charges for services made up 5% of the total revenues of governmental activities of the District for fiscal year 2021. Instruction comprises 61% of District expenses.

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

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

Table 3
Cost of Services

	Total Cost for Year Ended 06/30/21	Net Cost for Year Ended 06/30/21	Total Cost for Year Ended 06/30/20	Net Cost for Year Ended 06/30/20
Instruction	\$ 75,622,460	\$ 50,933,602	\$ 70,910,114	\$ 52,882,976
Support Services:				
Pupil and Instructional Staff Services	15,690,647	15,690,647	14,401,136	14,355,536
Headstart	419,008	419,008	343,220	343,220
Special Education	2,688,386	2,688,386	2,960,367	2,960,367
Career Technical Education	354,478	335,090	451,040	398,331
General Administration Services	1,718,278	1,718,278	1,695,102	1,695,102
School Administration Services	6,131,190	6,131,190	6,049,705	6,049,705
Business Services	2,041,236	2,041,236	2,112,617	2,112,617
Operations and Maintenance	9,052,574	9,052,154	9,072,255	8,655,938
Pupil Transportation Services	1,566,600	1,275,627	1,428,173	592,128
Extracurricular Activities	4,082,867	3,539,820	3,955,086	3,491,799
Food Services	3,841,889	(908,127)	4,112,763	(236,259)
Community Services	488,135	488,135	608,341	608,341
Interest on Long-Term Debt	467,544	467,544	421,103	421,103
Bond Issuance Costs	4,451	4,451	109,958	109,958
Total Expenses	<u>\$ 124,169,743</u>	<u>\$ 93,877,041</u>	<u>\$ 118,630,980</u>	<u>\$ 94,440,862</u>

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

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

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

Financial Analysis of the District's Governmental Funds

The focus of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unassigned fund balance generally may be used as a measure of the District's net resources available for spending at the end of the fiscal year. These funds are accounted for by using the modified accrual basis of accounting. The District's governmental funds had total revenues of \$123,090,446 and total expenditures of \$123,150,639 for the year ended June 30, 2021. As of June 30, 2021, the unassigned fund balance of the District's governmental funds was \$6,702,892.

General Fund Budgeting Highlights

During the course of the 2021 fiscal year, the District believes the variances between budgeted and actual are small. This indicates that the users of the District's budget and financial statements were well informed. The District did not amend its budget.

The District's final budget for the general fund anticipated the expenditures and other financing uses would exceed revenues and other financing sources by \$5,360,044; the actual results show expenditures and other financing uses exceeded revenues and other financing sources by \$2,494,717.

- Revenues were more than projections, largely due to an increase of \$4,875,041 over the budgeted amount of \$80,261,012 in intergovernmental funding due in part to additional COVID-19 funding.
- The actual expenditures were above the budgeted figure, mainly due to an increase of in extracurricular expenditures from including the student activity fund balances, and an increase of \$3,560,533 in capital outlay expenditures.

The General Fund ended with a fund balance of \$8,638,787 which was \$2,865,327 over the final budgeted amount.

Capital Assets

As of June 30, 2021, the District had \$92,794,220 invested in capital assets. Table 4 shows balances as of June 30, 2021 and 2020, respectively. See Note 5 for additional details.

Table 4
Capital Assets (Net of Depreciation)

	2021	2020
School Sites and Other Lands	\$ 7,458,110	\$ 7,458,110
Buildings and Improvements	80,008,533	81,079,901
Furniture and Equipment	4,547,478	2,642,608
Construction in Progress	780,099	876,014
Total	\$ 92,794,220	\$ 92,056,633

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

Debt Administration

As of June 30, 2021, the District had \$133,346,402 in outstanding debt, with \$2,011,709 due within one year. The District had an overall increase in debt of \$8,061,785 from June 30, 2020 primarily due to the increase in net pension liability and the issuance of new bonds during the year. See Note 6 for additional details.

Table 5
Summary of Outstanding Long-Term Debt

	2021	2020
Bond and Notes Payable	\$ 27,817,432	\$ 28,712,526
Special Assessments Payable	12,131	10,708
Severance Payable	1,711,011	1,894,168
Sick Leave Payable	104,730	121,144
Net Pension Liability	103,701,098	94,546,071
	\$ 133,346,402	\$ 125,284,617

For the Future:

Grand Forks Public School District No. 1 will continue to evaluate their financial status based on the demographics and needs of the District. Staffing will be based on current and projected enrollment and resources needed to assist the families. The District has added staff at different levels due to the availability of federal dollars to assist with the costs. There is sustainability in these resources based on the reorganization of the District and the increase in our land base and potential enrollment. The impact of COVID dollars have been used to assist with the additional costs in preventive resources, a sustained evaluation of needs will result in determining allocations to keep student and staff safe.

BUDGET AND TAX LEVY:

Fiscal Year 2021-2022

On September 27, 2021, The Grand Forks School Board gave final approval for the 2021-2022 general fund budget with estimated revenues of \$113,108,105 and estimated expenditures of \$113,717,929. The FY 2021-2022 property tax levy was based on 86 mills for general educational purposes, 20 mills for the building fund, 2 mills for special assessments, and 3 mills for the special reserve fund.

Contacting the District's Financial Management:

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. You may request a copy of this report by contacting Michelle Emineth, Interim Business Manager, Grand Forks Public School District, P.O. Box 6000, 2400 47th Avenue South, Grand Forks, ND 58201-3405, or email at memineth538@mygfschools.org.

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 11,362,223
Cash with Escrow Agent	3,917,376
Investments	3,268,698
Accounts Receivable	4,622,312
Interest Receivable	300,223
Property Taxes Receivable	1,293,459
Inventory	388,892
Total Current Assets	25,153,183
Non-Current Assets	
Non Depreciable Capital Assets	8,238,209
Capital Assets, Net of Accumulated Depreciation	84,556,011
Total Non-Current Assets	92,794,220
Total Assets	117,947,403
Deferred Outflows of Resources	
Cost Sharing Defined Benefit Pension Plan - TFFR	17,881,360
Total Deferred Outflows of Resources	17,881,360
Liabilities	
Current Liabilities	
Accounts Payable and Other Accrued Liabilities	717,834
Accrued Expenses	103,193
Salaries Payable	237,747
Accrued Interest	374,347
Unearned Revenue	205,879
Current Portion of Non-Current Liabilities	2,011,709
Total Current Liabilities	3,650,709
Non-Current Liabilities	
Sick Leave Payable	104,730
Severance Payable	1,711,011
Special Assessments Payable	12,131
Bonds and Notes Payable, net of related premium	27,817,432
Net Pension Liability	103,701,098
Less Current Portion	(2,011,709)
Total Non-Current Liabilities	131,334,693
Total Liabilities	134,985,402
Deferred Inflows of Resources	
Cost Sharing Defined Benefit Pension Plan - TFFR	6,856,110
Total Deferred Inflows of Resources	6,856,110
Net Position	
Net Investment in Capital Assets	68,882,033
Restricted For:	
Building Projects	2,267,454
Special Assessments	896,822
Student Activities	784,218
Unrestricted	(78,843,276)
Total Net Position	\$ (6,012,749)

See Notes to the Financial Statements

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues			Capital Grants and Contributions	Net (Expense) Revenue and and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions			
Primary Government						
Governmental Activities:						
Instruction						
Regular	\$ 51,362,937	\$ 4,406,431	\$ 13,943,621	\$ -	\$ (33,012,885)	
Special Education	19,451,761	370,580	2,084,481	-	(16,996,700)	
Career Technical Education	3,370,636	-	925,970	-	(2,444,666)	
Headstart	1,437,126	-	2,957,775	-	1,520,649	
Total Instruction	<u>75,622,460</u>	<u>4,777,011</u>	<u>19,911,847</u>	<u>-</u>	<u>(50,933,602)</u>	
Support Services:						
Pupil and Instructional Staff Services	15,690,647	-	-	-	(15,690,647)	
Headstart	419,008	-	-	-	(419,008)	
Special Education	2,688,386	-	-	-	(2,688,386)	
Career Technical Education	354,478	-	19,388	-	(335,090)	
General Administration Services	1,718,278	-	-	-	(1,718,278)	
School Administration Services	6,131,190	-	-	-	(6,131,190)	
Business Services	2,041,236	-	-	-	(2,041,236)	
Operations and Maintenance	9,052,574	420	-	-	(9,052,154)	
Pupil Transportation Services	1,566,600	57,270	233,703	-	(1,275,627)	
Extracurricular Activities	4,082,867	543,047	-	-	(3,539,820)	
Food Services	3,841,889	248,769	4,501,247	-	908,127	
Community Services	488,135	-	-	-	(488,135)	
Interest on Long-Term Debt	467,544	-	-	-	(467,544)	
Bond Issuance Costs	4,451	-	-	-	(4,451)	
Total Support Services	<u>48,547,283</u>	<u>849,506</u>	<u>4,754,338</u>	<u>-</u>	<u>(42,943,439)</u>	
Total Primary Government	<u>\$ 124,169,743</u>	<u>\$ 5,626,517</u>	<u>\$ 24,666,185</u>	<u>\$ -</u>	<u>(93,877,041)</u>	
General Revenues						
Taxes						
Property Taxes, Levied for General Purpose					20,845,321	
Property Taxes, Levied for Building Fund					2,426,759	
Property Taxes, Levied for Special Assessment					485,812	
Property Taxes, Levied for Special Reserve					720,442	
State Aid Not Restricted for Specific Purposes						
Per Pupil Aid					64,968,821	
Gain on Sale of Capital Assets					134,072	
Interest Income and Other Revenues					2,913,154	
Total General Revenues					<u>92,494,381</u>	
Change in Net Position					(1,382,660)	
Net Position, Beginning, As Previously Reported					<u>(5,415,465)</u>	
GASB 84 Adjustment - See Note 12					<u>785,376</u>	
Net Position, Beginning As Restated					<u>(4,630,089)</u>	
Net Position, Ending					<u>\$ (6,012,749)</u>	

See Notes to the Financial Statements

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2021

	<u>General Fund</u>	<u>Special Assessment Fund</u>	<u>Food Service Fund</u>	<u>Building Fund</u>	<u>Special Reserve Fund (Nonmajor)</u>	<u>Total Governmental Funds</u>
Assets						
Cash and Cash Equivalents	\$ 328,130	\$ 871,172	\$ 3,144,242	\$ -	\$ 850,561	\$ 5,194,105
Cash with Escrow Agent	-	-	-	3,917,376	-	3,917,376
Investments	3,138,041	-	-	12,467	-	3,150,508
Property Taxes Receivable	1,102,395	25,650	-	128,141	37,273	1,293,459
Accounts Receivable	4,536,871	-	84,719	-	-	4,621,590
Due From Other Funds	1,591,886	-	-	-	198,644	1,790,530
Inventory	311,841	-	77,051	-	-	388,892
Total Assets	<u>\$ 11,009,164</u>	<u>\$ 896,822</u>	<u>\$ 3,306,012</u>	<u>\$ 4,057,984</u>	<u>\$ 1,086,478</u>	<u>\$ 20,356,460</u>
Liabilities						
Accounts Payable	\$ 110,557	\$ -	\$ 1,982	\$ -	\$ -	\$ 112,539
Accrued Liabilities	103,193	-	-	-	-	103,193
Salaries Payable	237,747	-	-	-	-	237,747
Due to Other Funds	-	-	-	1,790,530	-	1,790,530
Severance Payable	871,175	-	-	-	-	871,175
Unearned Revenue	-	-	205,880	-	-	205,880
Total Liabilities	<u>1,322,672</u>	<u>-</u>	<u>207,862</u>	<u>1,790,530</u>	<u>-</u>	<u>3,321,064</u>
Deferred Inflows of Resources						
Unavailable Revenue - Property Taxes	1,047,705	24,375	-	121,774	35,625	1,229,479
Total Deferred Inflows of Resources	<u>1,047,705</u>	<u>24,375</u>	<u>-</u>	<u>121,774</u>	<u>35,625</u>	<u>1,229,479</u>
Fund Balance						
Non-Spendable	311,841	-	77,051	-	-	388,892
Restricted	784,218	872,447	-	2,145,680	1,050,853	4,853,198
Assigned	839,836	-	3,021,099	-	-	3,860,935
Unassigned	6,702,892	-	-	-	-	6,702,892
Total Fund Balance	<u>8,638,787</u>	<u>872,447</u>	<u>3,098,150</u>	<u>2,145,680</u>	<u>1,050,853</u>	<u>15,805,917</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 11,009,164</u>	<u>\$ 896,822</u>	<u>\$ 3,306,012</u>	<u>\$ 4,057,984</u>	<u>\$ 1,086,478</u>	<u>\$ 20,356,460</u>

See Notes to the Financial Statements

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE DISTRICT WIDE STATEMENT OF NET POSITION
JUNE 30, 2021

Fund balance - governmental funds \$ 15,805,917

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

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

Cost of Capital Assets	\$ 162,608,752	
Less: Accumulated Depreciation	<u>(69,814,532)</u>	
Net		92,794,220

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. 11,025,250

Property taxes receivable will be collected during the year, but are not available soon enough to pay for the current period's expenditures, and, therefore are unavailable in the governmental funds. 1,229,479

The District accounts for its self-funded health insurance plan as an internal service fund. The assets and liabilities of the internal service fund are included with the governmental activities. 5,681,736

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

Bonds Payable	\$ 27,694,263	
Premium on Bonds	123,169	
Special Assessments Payable	12,131	
Sick Leave Payable	104,730	
Early Retirement Payable	839,836	
Net Pension Liability	<u>103,701,098</u>	
Total		(132,475,227)

Interest receivable/payable is not due and payable in the current period and, therefore, is not reported as a receivable/liability in the governmental funds. (74,124)

Net Position - Governmental Activities \$ (6,012,749)

See Notes to the Financial Statements

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Special Assessment Fund	Food Service Fund	Building Fund	Special Reserve Fund (Nonmajor)	Total Governmental Funds
Revenues						
Property Taxes	\$ 21,277,667	\$ 485,812	\$ -	\$ 2,426,759	\$ 720,442	\$ 24,910,680
Other Local Sources	2,257,567	-	35,547	-	-	2,293,114
Intergovernmental	85,136,052	-	4,498,954	-	-	89,635,006
Charges for Services	5,383,473	-	248,769	-	-	5,632,242
Contributions and Donations	182,342	-	-	-	-	182,342
Investment Income	64,135	-	6	2,527	-	66,668
Other Income	370,394	-	-	-	-	370,394
Total Revenues	<u>114,671,630</u>	<u>485,812</u>	<u>4,783,276</u>	<u>2,429,286</u>	<u>720,442</u>	<u>123,090,446</u>
Expenditures						
Current:						
Instruction:						
Pupil and Instructional Staff Services	47,422,098	-	-	-	-	47,422,098
Special Education	18,912,439	-	-	-	-	18,912,439
Career Technical Education	3,270,601	-	-	-	-	3,270,601
Headstart	1,393,579	-	-	-	-	1,393,579
Total Instruction	<u>70,998,717</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,998,717</u>
Support Services:						
Pupil and Instructional Staff Services	10,224,249	-	-	-	-	10,224,249
Headstart	409,214	-	-	-	-	409,214
Special Education	2,603,229	-	-	-	-	2,603,229
Career Technical Education	341,557	-	-	-	-	341,557
General Administrative Services	1,669,608	-	-	-	-	1,669,608
School Administrative Services	5,957,891	-	-	-	-	5,957,891
Business Services	1,980,718	-	-	-	-	1,980,718
Operations and Maintenance	8,792,627	-	-	-	-	8,792,627
Pupil Transportation Services	1,525,792	-	-	-	-	1,525,792
Extracurricular	3,969,736	-	-	-	-	3,969,736
Food Services	5,368	-	3,836,515	-	-	3,841,883
Community Services	470,678	-	-	-	-	470,678
Capital Outlay	8,678,939	-	364,780	-	-	9,043,719
Debt Service:						
Principal	-	-	-	885,238	-	885,238
Interest and Other Fees	-	15,260	-	416,073	-	431,333
Bond Issuance Costs	-	850	-	3,600	-	4,450
Total Support Services	<u>46,629,606</u>	<u>16,110</u>	<u>4,201,295</u>	<u>1,304,911</u>	<u>-</u>	<u>52,151,922</u>
Total Expenditures	<u>117,628,323</u>	<u>16,110</u>	<u>4,201,295</u>	<u>1,304,911</u>	<u>-</u>	<u>123,150,639</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,956,693)</u>	<u>469,702</u>	<u>581,981</u>	<u>1,124,375</u>	<u>720,442</u>	<u>(60,193)</u>
Other Financing Sources (Uses)						
Sale of CTE Houses	134,063	-	-	-	-	134,063
Transfers In	327,913	-	-	-	-	327,913
Transfers Out	-	-	-	-	(327,913)	(327,913)
Total Other Financing Sources (Uses)	<u>461,976</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(327,913)</u>	<u>134,063</u>
Net Change in Fund Balances	<u>(2,494,717)</u>	<u>469,702</u>	<u>581,981</u>	<u>1,124,375</u>	<u>392,529</u>	<u>73,870</u>
Fund Balances, Beginning of Year	10,348,128	402,745	2,516,169	1,021,305	658,324	14,946,671
GASB 84 Adjustment - See Note 12	785,376	-	-	-	-	785,376
Fund Balance - Beginning of Year, As Restated	<u>11,133,504</u>	<u>402,745</u>	<u>2,516,169</u>	<u>1,021,305</u>	<u>658,324</u>	<u>15,732,047</u>
Fund Balances, End of Year	<u>\$ 8,638,787</u>	<u>\$ 872,447</u>	<u>\$ 3,098,150</u>	<u>\$ 2,145,680</u>	<u>\$ 1,050,853</u>	<u>\$ 15,805,917</u>

See Notes to the Financial Statements

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE TO THE DISTRICT WIDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Total net changes in fund balances - Governmental Funds	\$	73,870
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital Outlay	\$ 3,948,646	
Depreciation Expense	<u>(3,204,028)</u>	
Difference		744,618
When recognizing the sale of capital assets, the governmental funds report the total proceeds of the sale. Only the gain or loss of the sale is reported on the statement of net position.		
Net book value of capital assets disposed		(7,031)
The repayment of long-term debt is reported as an expenditure in the governmental funds. However, the repayment reduces long-term liabilities in the statement of net position.		
		885,238
Amortization of premium on bond		9,856
Changes in deferred outflows and inflows of resources related to the net pension liability		5,558,475
Change in net pension liability		(9,155,027)
Some revenues will not be collected for several months after the District's fiscal year end. These revenues are not considered "available" revenues in the governmental funds. These consist of:		
Unavailable property taxes		(432,345)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		
		(29,181)
Interest income in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as revenue in the governmental funds when it is received. In the statement of activities, however, interest income is recognized as the interest is earned, regardless of when it is received.		
		636
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These activities consist of:		
Sick Leave		16,414
Long-Term Severance		(46,835)
Special Assessments		(1,423)
An internal service fund is used by the District to account for its self-funded health insurance plan. The net income of the internal service fund is reported with the governmental activities.		
		<u>1,000,075</u>
Change in Net Position - Governmental Activities	\$	<u><u>(1,382,660)</u></u>

See Notes to the Financial Statements

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2021

	Governmental Activities	Internal Service Funds
Assets		
Cash and Cash Equivalents	\$	6,168,118
Investments		118,190
Accounts Receivable		722
Total Assets		6,287,030
 Liabilities		
Accounts Payable and Accrued Liabilities		605,294
Total Liabilities		605,294
 Net Position		
Unrestricted		5,681,736
Total Net Position	\$	5,681,736

See Notes to the Financial Statements

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Governmental Activities	Internal Service Funds
Revenues		
Insurance Contributions	\$	11,343,972
Total Revenues		11,343,972
 Expenses		
Health Claims Paid		8,642,206
Insurance Premiums Paid and Administrative Charges		1,705,747
Total Expenses		10,347,953
Operating Income (Loss)		996,019
 Non-Operating Revenues (Expenses)		
Interest Income		4,055
Total Non-Operating Revenues (Expenses)		4,055
Change in Net Position		1,000,074
Total Net Position, Beginning of Year		4,681,662
Total Net Position, End of Year	\$	5,681,736

See Notes to the Financial Statements

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Governmental Activities	Internal Service Funds
Cash Flow From Operating Activities:		
Cash Received from Charges to Other Funds	\$	11,343,972
Cash Paid to Insurance Claims by Operating Activities		(10,304,523)
Net Cash Provided (Used) by Operating Activities		1,039,449
 Cash Flow From Investing Activities:		
Purchase of Investments		(4,055)
Interest on Investments		4,055
Net Cash Provided (Used) by Investing Activities		-
Net Increase in Cash and Cash Equivalents		1,039,449
Cash and Cash Equivalents - Beginning of Year		5,128,669
Cash and Cash Equivalents - End of Year	\$	6,168,118
 Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:		
Operating Income (Loss)	\$	996,019
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Changes in Assets:		
Accounts Receivable		(722)
Changes in Liabilities:		
Accounts Payable and Accrued Liabilities		44,152
Net Cash Provided (Used) by Operating Activities	\$	1,039,449

See Notes to the Financial Statements

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-wide Financial Statements

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

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

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

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

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

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

Fund Financial Statements

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

Fund Accounting

The District's funds consist of the following:

Governmental Funds

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

General Fund

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

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

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

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

Building Fund

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

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

Proprietary Funds

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

Internal Service Funds

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

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

Measurement Focus and Basis of Accounting

Measurement Focus

Government-wide Financial Statements:

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

Fund Financial Statements:

The governmental funds are accounted for using a flow of current financial resources measurement focus. Under this measurement focus, only current assets, current liabilities, and current deferred inflows/outflows of resources are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources and uses of current financial resources.

The current financial resources measurement focus differs from the manner which the governmental activities of the government-wide financial statements are prepared. Due to the difference, the District's financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds.

Fiduciary Funds also use the economic resources measurement focus.

Basis of Accounting

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

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

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

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

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

Revenues – Exchange and Non-Exchange Transactions

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

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

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

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

Unearned Revenues

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

On the governmental fund financial statements, receivables that will not be collected during the availability period have been reported as unearned revenue.

Expenses and Expenditures

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

Cash and Cash Equivalents

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

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

Investments

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

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

Fair Value Measurements

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

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

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

Inventories

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

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

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 fair market values at the date received. Improvements that significantly extend the useful life of the asset are also capitalized.

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

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

Compensated Absences

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

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

Accrued Liabilities and Long-term Obligations

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

Pensions

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

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

Fund Balance Classifications

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – pre-paid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the school board-the District's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the school board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification reflects the amounts constrained by the District's "intent" to be used for specific purposes, but are neither restricted nor committed. The school board or superintendent have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned – This fund balance is the residual classification for the General fund. It is also used to report negative fund balances in other governmental funds.

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resource (expense/expenditure) until then. The District has one item reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents actuarial differences within the TFFR pension plan as well as contributions to the plan made after the measurement date.

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

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

Net Position

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

Inter-fund Activity

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

Estimates

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

Revenue Recognition - Property Taxes

Taxes receivable consist of current and delinquent uncollected taxes at June 30, 2021.

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

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

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

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

NOTE 3 DEPOSITS AND INVESTMENTS

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

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

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

At June 30, 2021, all deposits for the District were insured or collateralized by securities held by the District's agent in the District's name.

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

Investments

As of June 30, 2021, the District's investments consist of the following:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificates of Deposit	Less than 1 year	\$ 1,707,278
Certificates of Deposit	1 - 5 years	1,164,679
Certificates of Deposit	6 - 10 years	395,823
Certificates of Deposit	Greater than 10 years	<u>918</u>
 Total Investments		 <u>\$ 3,268,698</u>

Interest Rate Risk

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

Credit Risk

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

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

NOTE 4 CREDIT RISK

As of June 30, 2021, the District's receivables consist of amounts due from other governmental units primarily located within the State of North Dakota and bond interest rebates due from the Internal Revenue Service in accordance with the District's 2010 taxable limited bond agreements.

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

NOTE 5 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2021 was as follows:

	<u>Balance</u> <u>6/30/2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance</u> <u>6/30/2021</u>
Governmental Activities					
Non-Depreciable Capital Assets:					
Construction in Progress	\$ 876,014	\$ 1,621,047	\$ -	\$(1,716,962)	\$ 780,099
School Sites and Other Lands	<u>7,458,110</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,458,110</u>
Total Non-Depreciable Capital Assets:	<u>8,334,124</u>	<u>1,621,047</u>	<u>-</u>	<u>(1,716,962)</u>	<u>8,238,209</u>
Depreciable Capital Assets:					
Buildings	136,931,670	14,700	-	1,716,962	138,663,332
Improvements Other than Buildings	6,212,452	-	-	-	6,212,452
Furniture & Equipment	<u>7,235,330</u>	<u>2,312,899</u>	<u>53,469</u>	<u>-</u>	<u>9,494,760</u>
Total Capital Assets	<u>150,379,452</u>	<u>2,327,599</u>	<u>53,469</u>	<u>1,716,962</u>	<u>154,370,544</u>
Less Accumulated Depreciation:					
Buildings	59,762,475	2,503,555	-	-	62,266,030
Improvements Other than Buildings	2,301,746	299,475	-	-	2,601,221
Furniture & Equipment	<u>4,592,722</u>	<u>400,998</u>	<u>46,438</u>	<u>-</u>	<u>4,947,282</u>
Total Accumulated Depreciation	<u>66,656,943</u>	<u>3,204,028</u>	<u>46,438</u>	<u>-</u>	<u>69,814,533</u>
Net Depreciable Capital Assets	<u>83,722,509</u>	<u>(876,429)</u>	<u>7,031</u>	<u>1,716,962</u>	<u>84,556,011</u>
Governmental Activities Capital Assets, Net	<u>\$92,056,633</u>	<u>\$ 744,618</u>	<u>\$ 7,031</u>	<u>\$ -</u>	<u>\$92,794,220</u>

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

Instruction:	
Regular	\$ 1,313,934
Special Education	539,322
Career Technical Education	100,036
Headstart	43,547
Support Services:	
Pupil and Instructional Staff Services	385,482
Headstart	9,794
Special Education	85,157
Career Technical Education	12,921
General Administration Services	48,669
School Administration Services	173,299
Business Services	60,519
Operations and Maintenance	259,947
Pupil Transportation Services	40,808
Extracurricular Activities	113,132
Food Services	4
Community Services	17,457
	<u>\$ 3,204,028</u>

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

NOTE 6 LONG-TERM INDEBTEDNESS

The following is a summary of changes in long-term indebtedness of the District for the year ended June 30, 2021:

	Balance 6/30/2020	Additions	Retired	Balance 6/30/2021	Due Within One Year
Bonds:					
Bank of North Dakota	\$ 10,394,501	\$ -	\$ 710,238	\$ 9,684,263	\$ 724,087
Taxable Limited Tax Bonds	14,225,000	-	175,000	14,050,000	175,000
General Obligation Special Assessment Prepayment Bonds	1,260,000	-	-	1,260,000	115,000
Taxable Limited Tax Refunding Bonds	2,700,000	-	-	2,700,000	-
Total Bonds:	<u>28,579,501</u>	<u>-</u>	<u>885,238</u>	<u>27,694,263</u>	<u>1,014,087</u>
Premium on Bonds Payable	133,025	-	9,856	123,169	9,586
Special Assessments Payable	10,708	1,423	-	12,131	12,131
Severance Payable	1,894,168	1,224,013	1,407,170	1,711,011	871,175
Sick Leave Payable	121,144	-	16,414	104,730	104,730
Net Pension Liability	94,546,071	29,900,155	20,745,128	103,701,098	-
Totals	<u>\$ 125,284,617</u>	<u>\$ 31,125,591</u>	<u>\$ 23,063,806</u>	<u>\$ 133,346,402</u>	<u>\$ 2,011,709</u>

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

A. Bonds:

Bank of North Dakota:

Date of Issue	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 06/30/21	Amounts Due in	
						2021-2022	
						Principal	Interest
2013B	1.95%	2017-33	\$ 15,000,000	\$ 710,238	\$ 9,684,263	\$ 724,087	\$ 188,843
				<u>\$ 710,238</u>	<u>\$ 9,684,263</u>	<u>\$ 724,087</u>	<u>\$ 188,843</u>

Annual debt service requirements to maturity are as follows:

Years Ending June 30,	Principal	Interest	Total
2022	\$ 724,087	\$ 188,843	\$ 912,930
2023	738,207	174,723	912,930
2024	752,602	160,328	912,930
2025	767,278	145,653	912,931
2026	782,240	130,691	912,931
2027-2031	4,146,039	418,612	4,564,651
2032-2033	1,773,810	52,051	1,825,861
Total	<u>\$ 9,684,263</u>	<u>\$ 1,270,901</u>	<u>\$ 10,955,164</u>

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

Taxable Limited Tax Bonds:

Date of Issue	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 06/30/21	Amounts Due in 2021-2022		Anticipated Interest Subsidy
						Principal	Interest	
2010A	6.00%	2028	\$ 6,230,000	\$ -	\$ 6,230,000	\$ -	\$ 373,800	\$ 353,241
2010B	6.00%	2028	5,000,000	-	5,000,000	-	300,000	283,500
2013A	4.50%	2016-34	4,000,000	175,000	2,820,000	175,000	108,813	-
				<u>\$ 175,000</u>	<u>\$ 14,050,000</u>	<u>\$ 175,000</u>	<u>\$ 782,613</u>	<u>\$ 636,741</u>

Annual debt service requirements to maturity are as follows:

Years Ending June 30,	Principal	Interest	Total
2022	\$ 175,000	\$ 782,613	\$ 957,613
2023	180,000	777,063	957,063
2024	185,000	771,131	956,131
2025	190,000	764,800	954,800
2026	200,000	757,975	957,975
2027-2031	11,870,000	1,888,275	13,758,275
2032-2034	1,250,000	143,938	1,393,938
Total	<u>\$ 14,050,000</u>	<u>\$ 5,885,795</u>	<u>\$ 19,935,795</u>

The Series 2010A bonds were issued as “Qualified School Construction Bonds (QSCB)” pursuant to Section 54F of the Internal Revenue Code. The Series 2010B bonds were issued as “Qualified Zone Academy Bonds (QZAB)” pursuant to section 226(a) of the Taxpayer Relief Act of 1997. These designations provide that the District will be reimbursed by the federal government for any interest expense incurred on these issuances at an amount equal to the lesser of the amount of interest payable on each scheduled payment date or the amount of interest which would have been payable on such date if interest were determined at the applicable credit rate. The resulting effective interest rate for the Series 2010A and 2010B bonds at June 30, 2021 is 0.563%

The Series 2010C bonds were issued as “Recovery Zone Economic Development Bonds (RZEDB)” under the American Recovery and Reinvestment Act (ARRA). This designation provides that the District will be reimbursed by the federal government for any interest expense incurred on this issuance equal to 45% of the amount of interest payable. The 2010C bonds were paid off during fiscal year 2020.

Due to sequestration, the District anticipates receiving 94.3% of the original interest subsidy. The amounts listed as “Anticipated Interest Subsidy” reflects the reduction in subsidy due to sequestration.

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

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

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

<u>Years Ending June 30,</u>	<u>Series 2010A</u>	<u>Series 2010B</u>	<u>Total</u>
2022-2026	\$ 3,461,110	\$ 2,777,778	\$ 6,238,888
2027-2028	1,384,446	1,111,110	2,495,556
Total	<u>\$ 4,845,556</u>	<u>\$ 3,888,888</u>	<u>\$ 8,734,444</u>

General Obligation Special Assessment Prepayment Bonds:

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Original Amount</u>	<u>Year Retired</u>	<u>Balance 06/30/21</u>	<u>2021-2022</u>	
						<u>Principal</u>	<u>Interest</u>
2020A	2.00%	2021-35	\$ 1,260,000	-	\$ 1,260,000	\$ 115,000	\$ 24,050

Annual debt service requirements to maturity are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 115,000	\$ 24,050	\$ 139,050
2023	100,000	21,900	121,900
2024	105,000	19,850	124,850
2025	85,000	17,950	102,950
2026	85,000	16,250	101,250
2027-2031	425,000	55,350	480,350
2031-2035	345,000	13,950	358,950
Total	<u>\$ 1,260,000</u>	<u>\$ 169,300</u>	<u>\$ 1,429,300</u>

Because of the favorable interest rate environment during 2020, the District issued bonds to pay off special assessments that had been assessed by the City of Grand Forks. The District issued \$1,260,000 General Obligation Special Assessment Prepayment Bonds, Series 2020A on June 23, 2020, with a call date of August 1, 2028. The bonds were issued to pay off \$1,245,572 of special assessments debt and the related accrued interest on those special assessments.

Taxable Limited Tax Refunding Bonds:

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Original Amount</u>	<u>Year Retired</u>	<u>Balance 06/30/21</u>	<u>2021-2022</u>	
						<u>Principal</u>	<u>Interest</u>
2020B	2.00%	2021-34	\$ 2,700,000	-	\$ 2,700,000	-	\$ 54,000

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

Annual debt service requirements to maturity are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ -	\$ 54,000	\$ 54,000
2023	200,000	52,000	252,000
2024	205,000	47,950	252,950
2025	210,000	43,800	253,800
2026	215,000	39,550	254,550
2027-2031	1,135,000	130,950	1,265,950
2032-2035	<u>735,000</u>	<u>22,250</u>	<u>757,250</u>
Total	<u>\$ 2,700,000</u>	<u>\$ 390,500</u>	<u>\$ 3,090,500</u>

Because of the favorable interest rate environment during 2020, the District issued bonds for an advance refunding of taxable limited tax bonds. The District issued \$2,700,000 Taxable Limited Tax Refunding Bonds, Series 2020B on June 23, 2020, with a call date of August 1, 2021. The bonds were issued to advance refund the \$3,165,000 Taxable Limited Tax Bonds, Series 2013A. The transaction resulted in an economic gain of \$320,691 and a reduction of \$359,349 in future debt service payments. The current balance of the net proceeds of \$2,700,000 were used to purchase U.S. government securities and are shown as cash with escrow agent on the statement of net position. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds, beginning in the fiscal year ending June 30, 2023.

B. Special Assessment Payable

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 10,866	\$ 12,167	\$ 23,033
2023	158	47	205
2024	158	47	205
2025	158	47	205
2026	158	47	205
2027-2031	<u>633</u>	<u>242</u>	<u>875</u>
Total	<u>\$ 12,131</u>	<u>\$ 12,597</u>	<u>\$ 24,728</u>

C. Severance Payable:

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

1. Requirements

- a. By August 15th of the year of retirement, the professional staff member must attain the “rule of 85” for the Teachers’ Fund for Retirement of North Dakota. The employee must submit verification from the Teachers’ Fund for Retirement of North Dakota of the years of creditable service effective on the date of retirement from the Grand Forks Public Schools to document that the employee meets the eligibility standards.

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

- b. Professional staff members who are eligible must have completed ten years of full-time (or equivalent years of part-time) employment in this school district to be eligible for early retirement. Part-time is defined to mean halftime or more. The ten years of service may, with school board approval, include authorized health restoration leave not to exceed a total of two years. In addition, five of the ten years of service must be continuous, full-time service immediately preceding the date of retirement.

2. Early Retirement Payment

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

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

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

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

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

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

Following is a summary of the early retirement payable:

<u>Early Retirement Incentive</u>	<u>Current Amount</u>	<u>Long-Term Amount</u>
2018		
Fiscal Year Payable		
2022	\$ 337,342	\$ -
2019		
Fiscal Year Payable		
2022	227,830	-
2023	-	227,830
2020		
Fiscal Year Payable		
2022	306,003	-
2023	-	306,003
2024	-	306,003
Totals	<u>\$ 871,175</u>	<u>\$ 839,836</u>

NOTE 7 DEFINED BENEFIT PENSION PLANS – STATEWIDE

North Dakota Teacher's Fund For Retirement

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

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

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

Pension Benefits

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

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

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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.

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Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

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

At June 30, 2021, the District reported a liability of \$103,701,098 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2020, 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, 2020, the Employer's proportion was 6.775620% which was a decrease of 0.089209% from its proportion measured as of July 1, 2019.

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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For the year ended June 30, 2021, the Employer recognized pension expense of \$10,131,153. At June 30, 2021, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 21,385	\$ (3,891,683)
Changes in actuarial assumptions	4,667,461	-
Difference between projected and actual investment earnings	6,401,617	-
Changes in proportion	256,342	(2,964,426)
Contributions paid to TFFR subsequent to the measurement date	6,534,555	-
Total	<u>\$ 17,881,360</u>	<u>\$ (6,856,109)</u>

\$6,534,555 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, 2022.

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

<u>Year ending June 30:</u>	<u>Pension Expense Amount</u>
2022	\$ 1,095,800
2023	1,161,850
2024	1,518,591
2025	825,913
2026	(239,411)
Thereafter	127,953

Actuarial Assumptions

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.80% to 14.80%, varying by service, including inflation and productivity
Investment rate of return	7.25%, net of investment expenses
Cost-of-living adjustments	None

For active and inactive members, mortality rates were based on the PubT-2010 Employee table, projected with generational improvement using Scale MP-2019. For healthy retirees, mortality rates were based on 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019. For disability retirees, mortality rates were based on the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP- 2019.

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

The actuarial assumptions used were based on the results of an actuarial experience study dated March 19, 2020. They are the same as the assumptions used in the July 1, 2020, funding actuarial valuation for TFFR.

As a result of the March 19, 2020, actuarial experience study, the TFFR Board adopted several assumption changes, including the following:

- Investment return assumption lowered from 7.75% to 7.25%.
- Inflation assumption lowered from 2.75% to 2.30%.
- Total salary scale rates lowered.
- Rates of turnover, retirement and disability were changed to better reflect anticipated future experience.
- The Post-retirement healthy mortality table was updated to 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019.
- The disabled mortality was updated to the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019; and
- The pre-retirement mortality table was updated to the PubT-2010 Employee table projected with generational improvement using Scale MP-2019.

The TFFR Board is responsible for establishing investment policy for the fund assets under NDCC 15-39.1-05.2. Benefit payments are projected to occur over a long period of time. This allows TFFR to adopt a long-term investment horizon and asset allocation policy for the management of fund assets. Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the Board in determining an acceptable volatility target for the fund and an optimal asset allocation policy mix. This asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk, including the resulting estimated impact of funded status and contribution rates

The long-term expected rate of return on 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, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58.00%	6.90%
Global Fixed Income	23.00%	1.30%
Global Real Assets	18.00%	5.00%
Cash Equivalents	1.00%	0.00%

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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Discount Rate

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2020. 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, 2020, 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, 2020. 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, 2020.

Sensitivity of 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 7.25 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 (8.25 percent) or 1-percentage-point higher (6.25 percent) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	6.25%	7.25%	8.25%
School's proportionate share of the TFFR net pension liability:	\$ 138,124,289	\$ 103,701,098	\$ 75,093,658

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

Tax-Sheltered Annuities (TSA)

The School District will provide matching contributions up to 5% of the non-certified staff's annual wages to a tax-sheltered annuity. The School District's matching contributions to the TSA's for the fiscal years ended June 30, 2021, 2020, and 2019, were \$499,412, \$497,294, and \$525,412, respectively.

NOTE 8 COMMITMENTS AND CONTINGENCIES

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

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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Grant Programs:

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2021, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

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

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

Land Exchange Contract with Fire Thorn LLC:

The District entered in a land exchange contract with Fire Thorn LLC during the fiscal year ended June 30, 2021. As a result of this contract, the District received \$120,000 during the fiscal year ended June 30, 2020. The District has designated these funds to be used for improvements to be made to their parking areas. As part of the land exchange contract, the District gave up a portion of a parking lot in the fiscal year ended June 30, 2019, and they received a portion of a parking lot in the fiscal year ending June 30, 2021.

NOTE 9 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The District carries commercial insurance for risks of loss, including workers' compensation and employee health and accident insurance.

The School District has agreed to partially self-insure claims for health insurance of District employees to a maximum liability of \$125,000 per employee and an aggregate liability of \$9,792,199. Self-insurance activities are accounted for in the Proprietary Fund. Changes in claims payable were as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Claims Payable, July 1	\$ 561,142	\$ 408,890	\$ 366,479
Incurred Claims	8,077,536	7,904,777	7,730,458
Claims Paid	<u>(8,033,384)</u>	<u>(7,752,525)</u>	<u>(7,688,047)</u>
Claims Payable, June 30	<u>\$ 605,294</u>	<u>\$ 561,142</u>	<u>\$ 408,890</u>

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

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

NOTE 10 LEASE COMMITMENTS

The District leases a building from the North Dakota School for the Blind. The current lease expired on June 30, 2021. The lease was renewed from July 1, 2021, to June 30, 2022, and then may be renewed on an annual basis until June 30, 2025. The term for each renewal will begin on the 1st day of July and end on the 30th day of June of the following year. The effective annual lease payment for fiscal year 2021 is \$160,673.

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

The District leases warehouse space for the Buildings and Ground's storage from G-B Corporation. The current warehouse lease runs from October 15, 2019 to October 14, 2024. The effective annual lease payment for fiscal year 2021 is \$26,500.

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

The District leases classroom and office space for the Head Start program from 4000 Valley Square. The original term of the lease was from August 1, 2018 through June 30, 2019, with the District having the option each year to renew the lease for 8 successive periods of 1 year each. The District exercised their option to extend the lease term to include the periods of July 1, 2019 through June 30, 2020, July 1, 2020 through June 30, 2021 and July 1, 2021 through June 30, 2022. The effective annual lease payment is \$10,668 per year.

The District leases space for special education services at LaGrave Learning Center from Grand Forks Homes, Inc. The term of the lease is from August 1, 2019, through July 31, 2020, and has been extended through June 30, 2022. The effective annual lease payment for fiscal year 2021 is \$2,814. The effective annual lease payment for fiscal year 2022 will be \$3,820.

The District leases space for special education services at Kvasager Learning Center from Grand Forks Homes, Inc. The term of the lease is from August 1, 2019 through July 31, 2020, and has been extended through June 30, 2022. The effective annual lease payment for fiscal year 2021 is \$1,920. The effective annual lease payment for fiscal year 2022 will be \$2,090.

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

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The District leases a copier from Advanced Business Methods for use at the District office. The term of the lease is from October 1, 2018 through September 30, 2023. The District plans to return the copier to Advanced Business Methods at the conclusion of the lease. The minimum annual lease payment for fiscal year 2021 is \$4,776.

The District leases a copier from Advanced Business methods for use at the District Print Shop, which services all schools in the District. The term of the lease is from September 1, 2019 through August 31, 2023. The District plans to return the copier to Advanced Business Methods at the conclusion of the lease. The minimum annual lease payment for fiscal year 2021 is \$16,407.

The District leases a copier from Loffler for use at Discovery Elementary School. The term of the lease is from August 19, 2020 through August 18, 2025. The District plans to return the copier to Loffler at the conclusion of the lease. The minimum annual lease payment for fiscal year 2021 is \$3,444.

The District leases various copiers from Loffler for use throughout the District. The term of the lease is from July 15, 2020 through July 14, 2025. The District plans to return the copiers to Loffler at the conclusion of the lease. The minimum annual lease payment for fiscal year 2021 is \$19,800.

The District leases a bus garage and storage space for the Head Start program from Green Life Properties LLC. The term of the lease is from July 1, 2019 through June 30, 2024. The minimum annual lease payment for fiscal year 2021 is \$12,300.

NOTE 11 NON-MONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its hot lunch program. The market value of commodities received for the year ended June 30, 2021 was \$306,989. The amount of commodities used during the fiscal year was \$306,989.

NOTE 12 CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION AND FUND BALANCE

Net Position July 1, 2020 as previously Reported	\$	(5,415,465)
Restatement for Fiduciary accounting:		
Student Activity Fund Balance		785,376
Net Position July 1, 2020 as Restated	<u>\$</u>	<u>(4,630,089)</u>
Fund Balance July 1, 2020 as Previously Reported	\$	10,348,128
Restatement for Fiduciary Accounting		
Student Activity Fund Balance		785,376
Fund Balance July 1, 2020, as Restated	<u>\$</u>	<u>11,133,504</u>

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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NOTE 13 FUND BALANCES

A. Classifications

At June 30, 2021, a summary of the governmental fund balance classifications are as follows:

	<u>General Fund</u>	<u>Special Assessment Fund</u>	<u>Food Service</u>	<u>Building Fund</u>	<u>Special Reserve Fund (Nonmajor)</u>	<u>Total</u>
Nonspendable:						
Inventory	\$ 311,841	\$ -	\$ 77,051	\$ -	\$ -	\$ 388,892
Restricted:						
Capital Projects	-	-	-	2,145,680	1,050,853	3,196,533
Student Activities	784,218	-	-	-	-	784,218
Special Assessments	-	872,447	-	-	-	872,447
Assigned:						
Food Service	-	-	3,021,099	-	-	3,021,099
Severance & Sick Leave	839,836	-	-	-	-	839,836
Unassigned	<u>6,702,892</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,702,892</u>
Total Fund Balances	<u>\$ 8,638,787</u>	<u>\$ 872,447</u>	<u>\$ 3,098,150</u>	<u>\$ 2,145,680</u>	<u>\$ 1,050,853</u>	<u>\$ 15,805,917</u>

NOTE 14 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund activity is summarized below and consists of borrowings from the Building Fund to cover negative cash and an approved eligible transfer from the Special Reserve Fund to the General Fund.

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
General Fund	Building Fund	\$ 1,591,886
Special Reserve Fund	Building Fund	<u>198,644</u>
		<u>\$ 1,790,530</u>
<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Special Reserve Fund	\$ 327,913

NOTE 15 TAX ABATEMENTS

Grand Forks County and certain political subdivisions within the county can negotiate property tax abatement agreements with the individuals and various commercial entities/businesses. Grand Forks County and the political subdivisions within have the following types of tax abatement agreements with various individuals and commercial entities at June 30, 2021.

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

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New and Expanding Business Exemption

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

The following criteria are only guidelines.

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

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

Reduction in Taxes – Due to Agreements with Other Entities

Total program reduction in taxes – \$199,229

Public Charity Exemption

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

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

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

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

Reduction in Taxes – Due to Agreements with Other Entities

Total program reduction in taxes – \$1,335,271

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New Residence

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

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

- a. The governing body of the city, for property within city limits, or the governing body of the county, for property outside city limits, has approved the exemption of the property by resolution. A resolution adopted under this subsection may be rescinded or amended at any time. The governing body of the city or county may limit or impose conditions upon exemptions under this subsection, including limitations on the time during which an exemption is allowed.
- b. Special assessments and taxes on the property upon which the residence is situated are not delinquent.

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

Reduction in Taxes – Due to Agreements with Other Entities

Total program reduction in taxes – \$143,856

Childhood Service Exemption

A governing body of the city, for property within city limits, or of the county, for property outside city limits, may grant a property tax exemption for the portion of fixtures, buildings, and improvements, used primarily to provide early childhood services by a corporation, limited liability company, or organization licensed under NDCC 50-11.1 or used primarily as an adult day care center. (NDCC 57-02-08(36)).

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

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

Reduction in Taxes – Due to Agreements with Other Entities

Total program reduction in taxes – \$15,376

Remodel Exemptions

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

Under NDCC 57-02.2-03 improvements to commercial and residential buildings and structures as defined in this chapter may be exempt from assessment and taxation for up to five years from the date of commencement of making the improvements, if the exemption is approved by the

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
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governing body of the city, for property within city limits, or the governing body of the county, for property outside city limits. The governing body of the city or county may limit or impose conditions upon exemptions under this section, including limitations on the time during which an exemption is allowed. A resolution adopted by the governing body of the city or county under this section may be rescinded or amended at any time. The exemption provided by this chapter shall apply only to that part of the valuation resulting from the improvements which is over and above the assessed valuation, exclusive of the land, placed upon the building or structure for the last assessment period immediately preceding the date of commencement of the improvements. Any person, corporation, limited liability company, association, or organization owning real property and seeking an exemption under this chapter shall file with the assessor a certificate setting out the facts upon which the claim for exemption is based. The assessor shall determine whether the improvements qualify for the exemption based on the resolution of the governing body of the city or county, and if the assessor determines that the exemption should apply, upon approval of the governing body, the exemption is valid for the prescribed period and shall not terminate upon the sale or exchange of the property but shall be transferable to subsequent owners. If the certificate is not filed as herein provided, the assessor shall regard the improvements as nonexempt and shall assess them as such.

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

Reduction in Taxes – Due to Agreements with Other Entities

Total program reduction in taxes – \$94,000

Builder Exemption

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

General Criteria:

a. New single-family residential property, exclusive of the land on which it is situated, is exempt from assessment for the taxable year in which construction began and the next two taxable years, if the property remains owned by the builder, remains unoccupied, and all of the following conditions are met:

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

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

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

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

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

Reduction in Taxes – Due to Agreements with Other Entities

Total program reduction in taxes – \$871,705

NOTE 16 RECLASSIFICATIONS

Certain reclassifications have been made to the 2020 financial statements in order to conform with the 2021 presentation.

NOTE 17 NEW PRONOUNCEMENTS

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, 2020. 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.

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

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.

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

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.

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

NOTE 18 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through February 24, 2022, which is the date these financial statements were available to be issued.

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Fund 10</u>	<u>Fund 6</u>	<u>Fund 61</u>	<u>Fund 62</u>	<u>Fund 65</u>	<u>General Fund Actual</u>	<u>Original and Final Budget</u>	<u>Over (Under) Budget</u>
Revenues								
Property Taxes	\$ 21,277,667	\$ -	\$ -	\$ -	\$ -	\$ 21,277,667	\$ 20,910,538	\$ 367,129
Other Local Sources	1,529,094	430,848	26,020	5,730	265,875	2,257,567	978,782	1,278,785
Intergovernmental	84,770,588	-	-	-	365,465	85,136,053	80,261,012	4,875,041
Charges for Services	4,911,623	-	279,455	192,395	-	5,383,473	5,275,173	108,300
Contributions and Donations	174,792	-	-	7,550	-	182,342	174,793	7,549
Investment Income	64,135	-	-	-	-	64,135	110,213	(46,078)
Other Income	370,394	-	-	-	-	370,394	-	370,394
Total Revenues	<u>113,098,293</u>	<u>430,848</u>	<u>305,475</u>	<u>205,675</u>	<u>631,340</u>	<u>114,671,631</u>	<u>107,710,511</u>	<u>6,961,120</u>
Expenditures								
Current:								
Instruction:								
Regular	47,421,511	-	-	587	-	47,422,098	47,925,261	(503,163)
Special Education	18,912,439	-	-	-	-	18,912,439	18,874,418	38,021
Career Technical Education	2,865,224	-	-	-	405,377	3,270,601	2,651,255	619,346
Headstart	1,393,579	-	-	-	-	1,393,579	1,392,844	735
Total Instruction	<u>70,592,753</u>	<u>-</u>	<u>-</u>	<u>587</u>	<u>405,377</u>	<u>70,998,717</u>	<u>70,843,778</u>	<u>154,939</u>
Support Services:								
Pupil and Instructional Staff Services	10,224,249	-	-	-	-	10,224,249	10,351,599	(127,350)
Headstart	409,214	-	-	-	-	409,214	408,496	718
Special Education	2,603,229	-	-	-	-	2,603,229	2,817,046	(213,817)
Career Technical Education	265,938	-	-	-	75,619	341,557	263,443	78,114
General Administrative Services	1,497,058	-	-	-	172,550	1,669,608	1,365,182	304,426
School Administrative Services	5,957,891	-	-	-	-	5,957,891	5,949,784	8,107
Business Services	1,980,718	-	-	-	-	1,980,718	2,141,154	(160,436)
Operations and Maintenance	8,792,627	-	-	-	-	8,792,627	9,144,621	(351,994)
Pupil Transportation Services	1,525,283	-	-	-	509	1,525,792	1,596,170	(70,378)
Extracurricular	2,704,087	432,006	638,312	182,263	13,068	3,969,736	2,991,181	978,555
Food Services	5,368	-	-	-	-	5,368	5,368	-
Community Services	470,678	-	-	-	-	470,678	474,326	(3,648)
Capital Outlay	8,520,811	-	126,126	3,015	28,988	8,678,940	5,118,407	3,560,533
Total Support Services	<u>44,957,151</u>	<u>432,006</u>	<u>764,438</u>	<u>185,278</u>	<u>290,734</u>	<u>46,629,607</u>	<u>42,626,777</u>	<u>4,002,830</u>
Total Expenditures	<u>115,549,904</u>	<u>432,006</u>	<u>764,438</u>	<u>185,865</u>	<u>696,111</u>	<u>117,628,324</u>	<u>113,470,555</u>	<u>4,157,769</u>
Revenues Over(Under) Expenditures	<u>(2,451,611)</u>	<u>(1,158)</u>	<u>(458,963)</u>	<u>19,810</u>	<u>(64,771)</u>	<u>(2,956,693)</u>	<u>(5,760,044)</u>	<u>2,803,351</u>
Other Financing Sources (Uses)								
Proceeds from Sale of Capital Assets	134,063	-	-	-	-	134,063	400,000	(265,937)
Transfers In	327,913	-	456,808	-	-	784,721	475,000	309,721
Transfers Out	(456,808)	-	-	-	-	(456,808)	(475,000)	18,192
Total Other Financing Sources (Uses)	<u>5,168</u>	<u>-</u>	<u>456,808</u>	<u>-</u>	<u>-</u>	<u>461,976</u>	<u>400,000</u>	<u>61,976</u>
Net Change in Fund Balances	<u>(2,446,443)</u>	<u>(1,158)</u>	<u>(2,155)</u>	<u>19,810</u>	<u>(64,771)</u>	<u>(2,494,717)</u>	<u>(5,360,044)</u>	<u>2,865,327</u>
Fund Balances, Beginning of Year	<u>9,834,306</u>	<u>785,376</u>	<u>2,644</u>	<u>83,883</u>	<u>427,295</u>	<u>11,133,504</u>	<u>11,133,504</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 7,387,863</u>	<u>\$ 784,218</u>	<u>\$ 489</u>	<u>\$ 103,693</u>	<u>\$ 362,524</u>	<u>\$ 8,638,787</u>	<u>\$ 5,773,460</u>	<u>\$ 2,865,327</u>

See Note to the Budgetary Comparison Schedules

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE FOR THE SPECIAL ASSESSMENT FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Special Assessment Actual</u>	<u>Original and Final Budget</u>	<u>Over (Under) Budget</u>
Revenues			
Property Taxes	\$ 485,812	\$ -	\$ 485,812
Total Revenues	<u>485,812</u>	<u>-</u>	<u>485,812</u>
Expenditures			
Support Services:			
Total Support Services	15,260	-	15,260
Bond Issuance Costs	<u>850</u>	<u>-</u>	<u>850</u>
Total Expenditures	<u>16,110</u>	<u>-</u>	<u>16,110</u>
Revenues Over(Under) Expenditures	<u>469,702</u>	<u>-</u>	<u>469,702</u>
Net Change in Fund Balances	469,702	-	469,702
Fund Balances, Beginning of Year	<u>402,745</u>	<u>402,745</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 872,447</u>	<u>\$ 402,745</u>	<u>\$ 469,702</u>

See Note to the Budgetary Comparison Schedules

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTE TO THE BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING:

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

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

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

Expenditures in the general fund were over budget by \$4,157,769 for the year ended June 30, 2021.

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

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2021	\$ 6,534,555	\$ (6,534,555)	-	\$ 51,251,412	12.75%
2020	6,303,478	(6,303,478)	-	49,439,033	12.75%
2019	6,140,240	(6,140,240)	-	48,158,729	12.75%
2018	6,015,621	(6,015,621)	-	47,178,383	12.75%
2017	6,075,739	(6,075,739)	-	47,588,365	12.77%
2016	5,850,866	(5,850,866)	-	45,793,480	12.78%
2015	5,478,826	(5,478,826)	-	42,971,154	12.75%

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

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

See Note to the Required Supplementary Information

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

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	6.77561996%	\$ 103,701,098	\$ 49,439,033	209.76%	63.40%
2019	6.86482901%	94,546,071	48,158,729	196.32%	65.50%
2018	6.94037677%	92,505,389	47,178,383	196.08%	65.50%
2017	7.05998058%	96,970,651	47,588,365	203.77%	63.20%
2016	7.06285618%	103,474,979	45,793,480	225.96%	59.20%
2015	6.98598800%	91,366,606	42,971,154	212.62%	62.10%
2014	7.19546400%	75,395,706	41,737,522	180.64%	66.60%

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

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

See Note to the Required Supplementary Information

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 CHANGES OF ASSUMPTIONS

TFFR

Amounts reported in 2021 and later reflect the following actuarial assumption changes based on the results of an actuarial experience study dated March 19, 2020.

- Investment return assumption lowered from 7.75% to 7.25%.
- Inflation assumption lowered from 2.75% to 2.30%.
- Total salary scale rates lowered.
- Rates of turnover, retirement and disability were changed to better reflect anticipated future experience.
- The Post-retirement healthy mortality table was updated to 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019.
- The disabled mortality was updated to the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019; and
- The pre-retirement mortality table was updated to the PubT-2010 Employee table projected with generational improvement using Scale MP-2019.

Amounts reported in 2016-2020 reflect actuarial assumption changes effective July 1, 2019 based on the results of an actuarial experience study completed in April 2015.

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Grand Forks Public School District No. 1 as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 24, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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



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

February 24, 2022

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

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

Report on Compliance for Each Major Federal Program

We have audited Grand Forks Public School District No. 1's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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



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

February 24, 2022

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass- Through Number	Federal AL Number	Passed- Through to Subrecipients	Amount
<u>U.S. Department of Education</u>				
Direct Programs:				
Indian Elementary and Secondary School Assistance		84.060		\$ 70,329
Total Direct				<u>70,329</u>
Indirect Programs:				
Passed Through North Dakota Department of Public Instruction:				
Adult Education State Grant Program	N/A	84.002		104,500
Title I	N/A	84.010		2,618,179
Career and Technical Education - Basic Grants to States	N/A	84.048	\$ 7,161	200,186
Homeless Children and Youth	N/A	84.196		15,169
21st Century Community Learning Centers	N/A	84.287	98,869	616,133
Title III: Language Instruction for LEP & Immigrant	N/A	84.365		32,652
Title II, Part A	N/A	84.367		529,256
Comprehensive Literacy State Development (Striving Readers)	N/A	84.371		557,594
Title IV: Student Support and Academic Enrichment	N/A	84.424		409,350
COVID-19 Elementary and Secondary School Emergency Relief Fund	N/A	84.425C		177,313
COVID-19 Elementary and Secondary School Emergency Relief Fund	N/A	84.425D		<u>3,549,708</u>
				3,727,021
Passed Through North Dakota Department of Public Instruction:				
<i>Special Education Cluster:</i>				
Special Education Grants to States	N/A	84.027		2,084,481
Special Education Preschool Grants	N/A	84.173		<u>80,970</u>
<i>Total Special Education Cluster</i>				<u>2,165,451</u>
Total Indirect				<u>10,975,491</u>
Total U.S. Department of Education				<u>11,045,820</u>
<u>U.S. Department of Agriculture</u>				
Indirect Programs:				
Passed Through North Dakota Department of Public Instruction				
Fresh Fruits and Vegetables	N/A	10.582		108,227
Child and Adult Care Food Program	N/A	10.558		130,943
<i>Child Nutrition Cluster:</i>				
School Breakfast Program	N/A	10.553		366,003
National School Lunch Program	N/A	10.555		7,986
Commodity Distribution (Nonmonetary Assistance)	N/A	10.555		306,989
COVID-19 Summer Food Program	N/A	10.559		<u>3,545,178</u>
<i>Total Child Nutrition Cluster</i>				<u>4,226,156</u>
Total U.S. Department of Agriculture				<u>4,465,326</u>

See Notes to the Schedule of Expenditures of Federal Awards

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass- Through Number	Federal AL Number	Passed- Through to Subrecipients	Amount
<u>U.S. Department of Transportation</u>				
Indirect Programs:				
Passed through North Dakota Department of Transportation				
<i>Highway Safety Cluster:</i>				
State and Community Highway Safety	N/A	20.600		\$ 12,105
Total U.S. Department of Transportation				<u>12,105</u>
<u>U.S. Department of Treasury</u>				
Indirect Programs:				
Passed Through North Dakota Department of Public Instruction:				
COVID-19 Coronavirus Relief Funds	N/A	21.019		<u>3,649,137</u>
Total U.S. Department of Treasury				<u>3,649,137</u>
<u>U.S. Department of Health and Human Services</u>				
Direct Programs:				
Head Start		93.600		2,957,775
Indirect Programs:				
Passed through Altru Health System				
Drug-Free Communities Support Program	N/A	93.276		36,905
Passed through Lutheran Social Services				
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	N/A	93.566		<u>13,493</u>
Total Indirect				<u>50,398</u>
Total U.S. Department of Health and Human Services				<u>3,008,173</u>
Total Federal Awards			\$ 106,030	<u>\$22,180,561</u>

See Notes to the Schedule of Expenditures of Federal Awards

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the applicable cost principles contained in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 2 INDIRECT COST RATE

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

NOTE 3 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Grand Forks Public School District No. 1 under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of Grand Forks Public School District No. 1, it is not intended to and does not present the financial position or change in net position of Grand Forks Public School District No. 1. The amounts reported on the schedule have been reconciled to and are in agreement with amounts recorded in the accounting records from which the financial statements have been reported.

NOTE 4 NON-MONETARY TRANSACTIONS

The District receives commodities through the food distribution program and the assistance is valued at the fair value of the commodities received and disbursed. During the year, the District received \$306,989 for commodities and used \$306,989 in commodities.

NOTE 5 PASS-THROUGH ENTITIES

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

NOTE 6 SUBRECIPIENT TRANSACTIONS

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

21st Century	
Emerado	\$ 80,780
Lutheran Social Services	18,089
Total	<u>\$ 98,869</u>
Career and Technical Education	
Thompson	\$ 7,161

GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified
 Internal control over financial reporting:
 Material weakness(es) identified? yes x no
 Significant deficiency(ies) identified that are
 not considered to be material weaknesses? yes x none reported

Noncompliance material to financial
 statements noted? yes x no

Federal Awards

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

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

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

Identification of major programs:

AL Number(s)	Name of Federal Program or Cluster
21.019	Coronavirus Relief Fund
84.010	Title I Grants to Local Educational Agencies
84.425	Education Stabilization Fund (ESF)

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

Auditee qualified as low-risk auditee? x yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

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

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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