

**GRAND FORKS AIR FORCE BASE
PUBLIC SCHOOL DISTRICT NO. 140
GRAND FORKS AIR FORCE BASE, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

TABLE OF CONTENTS

	Page
ROSTER OF SCHOOL OFFICIALS – UNAUDITED	1
INDEPENDENT AUDITOR'S REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
FINANCIAL STATEMENTS	
Statement of Net Position	10
Statement of Activities	11
Balance Sheet – Governmental Funds	12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	13
Notes to the Financial Statements	14
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	26
Note to the Required Supplementary Information	27
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	28
Notes to the Schedule of Expenditures of Federal Awards	29
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	30
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	32
Schedule of Findings and Questioned Costs	35
Schedule of Prior Year Findings	37
Corrective Action Plan	38

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
ROSTER OF SCHOOL OFFICIALS - UNAUDITED
AT JUNE 30, 2022

Mrs. Michelle Shepperd	President
Mr. Branden Shepperd	Vice President
Mr. Brent Harland	Board Member
Mrs. Nichole Deneseus	Board Member
Dr. Terry Brenner	Superintendent
Dr. Brenda Lewis	Associate Superintendent of Elementary Education
Ms. Catherine Gillach	Assistant Superintendent of Secondary Education
Mr. Brandon Baumbach	Business Manager

INDEPENDENT AUDITOR'S REPORT

To the President and Board Members
Grand Forks Air Force Base Public School District No. 140
Grand Forks Air Force Base, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Grand Forks Air Force Base Public School District No. 140, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities and each major fund of the District, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the roster of school officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2023 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**

March 24, 2023

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

The discussion and analysis of Grand Forks Air Force Base Public School District's financial performance provides an overall review of the District's financial activities for the year ended June 30, 2022. 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 2022 are as follows:

- Net position of the District increased by \$274,617 as a result of the current year's operations.
- Governmental net position totaled \$4,215,344.
- Total revenues from all sources were \$3,803,694.
- Total expenses were \$3,529,077.
- The District's general fund had \$3,794,033 in total revenues and \$3,529,077 in expenditures. Overall, the general fund balance is \$4,488,586 at June 30, 2022.

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 Air Force Base Public School District No. 140 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 a couple 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, 2022?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities 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.

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2022

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. 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 two 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 and the Capital Projects 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 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. Due to the nature of the District's operations, there are no differences between the statements; therefore no reconciliations are needed.

Financial Analysis of the District as a Whole

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position as of June 30, 2022.

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2022

Table 1
Net Position

	2022	2021	Change
Assets:			
Cash and Cash Equivalents	\$ 3,884,198	\$ 3,716,848	\$ 167,350
Due from Other Governments	349,527	225,607	123,920
Total Assets	<u>4,233,725</u>	<u>3,942,455</u>	<u>291,270</u>
Liabilities:			
Accounts Payable & Accrued Liabilities	18,381	1,728	16,653
Total Liabilities	<u>18,381</u>	<u>1,728</u>	<u>16,653</u>
Net Position			
Unrestricted	4,215,344	3,940,727	274,617
Total Net Position	<u>\$ 4,215,344</u>	<u>\$ 3,940,727</u>	<u>\$ 274,617</u>

As indicated in the financial highlights, the District's net position increased by \$274,617 for the year ended June 30, 2022. Net position may serve over time as a useful indicator of the District's financial position. The District has a net position balance of \$4,215,344.

Table 2 shows the changes in net position for fiscal year ended June 30, 2022.

Table 2
Changes in Net Position

	2022	2021	Change
Revenues			
Capital Grants and Contributions	\$ 9,661	\$ -	\$ 9,661
Impact Aid	3,794,033	4,084,678	(290,645)
Total Revenues	<u>3,803,694</u>	<u>4,084,678</u>	<u>(280,984)</u>
Expenses			
Instruction	3,013,866	3,019,276	(5,410)
Support Services			
Executive Administration Services	36,580	35,156	1,424
Business Office	70,735	87,473	(16,738)
Operations and Maintenance	201,277	146,750	54,527
Capital Outlay	7,713	326,872	(319,159)
Pupil Transportation Services	73,092	84,059	(10,967)
Pupil & Instructional Services	121,147	68,702	52,445
School Administrative Services	2,764	2,423	341
Career Technical Education	1,903	1,462	441
Total Expenses	<u>3,529,077</u>	<u>3,772,173</u>	<u>(243,096)</u>
Increase (Decrease) in Net Position	274,617	312,505	(37,888)
Net Position - Beginning	3,940,727	3,628,222	312,505
Net Position - Ending	<u>\$ 4,215,344</u>	<u>\$ 3,940,727</u>	<u>\$ 274,617</u>

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2022

Federal aid made up the total revenues of governmental activities of the District for fiscal year 2022. Instruction comprises 85% of District expenses.

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
Net Costs

	Total Cost <u>6/30/2022</u>	Net Cost <u>6/30/2022</u>	Total Cost <u>6/30/2021</u>	Net Cost <u>6/30/2021</u>
Expenses				
Instruction	\$ 3,013,866	\$ 3,013,866	\$ 3,019,276	\$ 3,019,276
Support Services				
Executive Administration Services	36,580	36,580	35,156	35,156
Business Office	70,735	70,735	87,473	87,473
Operations and Maintenance	201,277	191,616	146,750	146,750
Pupil Transportation Services	73,092	73,092	84,059	84,059
Pupil & Instructional Services	121,147	121,147	68,702	68,702
School Administrative Services	2,764	2,764	2,423	2,423
Career Technical Education	1,903	1,903	1,462	1,462
Capital Outlay	<u>7,713</u>	<u>7,713</u>	<u>326,872</u>	<u>326,872</u>
 Total Expenses	 <u>\$ 3,529,077</u>	 <u>\$ 3,519,416</u>	 <u>\$ 3,772,173</u>	 <u>\$ 3,772,173</u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Executive Administration, school administration, and business office include expenses associated with administrative and financial supervision of the District.

Operation and maintenance of plant activities involve maintaining the school grounds, buildings, keeping equipment in an effective working condition, and additions to buildings.

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.

Pupil & Instruction Services includes monies that are awarded to the school for expenditures that are requested from the board. The District must submit a proposal each year for these monies.

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. Unrestricted 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 \$3,803,694 and

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2022

expenditures of \$3,529,077 for the year ended June 30, 2022. As of June 30, 2022, the unassigned fund balance of the District's general fund was \$4,215,344.

General Fund Budgeting Highlights

The actual revenue for the year ended June 30, 2022 was under budget by \$316,085. The most significant variance was impact aid. The actual expenditures for the year ended June 30, 2022 were under budget by \$52,407. The most significant variance was pupil transportation. The District did not amend its budget.

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 Brandon Baumbach, Business Manager, Grand Forks Public School District, P.O. Box 6000, 2400 47th Avenue South, Grand Forks, ND 58201-3405, or email at bbaumbach020@mygfschools.org.

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 3,884,198
Due From Federal Government	349,527
Total Assets	4,233,725
 Liabilities	
Accounts Payable & Accrued Liabilities	18,381
Total Liabilities	18,381
 Net Position	
Unrestricted	4,215,344
Total Net Position	\$ 4,215,344

See Notes to the Financial Statements

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
Primary Government			
Governmental Activities			
Instruction			
Tuition Paid to Other Districts	\$ 3,013,866	\$ -	\$ (3,013,866)
Support Services			
Executive Administration Support	36,580	-	(36,580)
Business Office	70,735	-	(70,735)
Operations and Maintenance	201,277	9,661	(191,616)
Pupil Transportation	73,092	-	(73,092)
Pupil & Instructional Services	121,147	-	(121,147)
School Administrative Services	2,764	-	(2,764)
Career Technical Education	1,903	-	(1,903)
Capital Outlay	7,713	-	(7,713)
Total Support Services	<u>515,211</u>	<u>9,661</u>	<u>(505,550)</u>
Total Governmental Activities	<u>\$ 3,529,077</u>	<u>\$ 9,661</u>	<u>(3,519,416)</u>
General Revenues			
Federal Aid not Restricted for a Specific Purpose			
Impact Aid			<u>3,794,033</u>
Total General Revenues			<u>3,794,033</u>
Change in Net Position			274,617
Net Position, Beginning			<u>3,940,727</u>
Net Position, Ending			<u>\$ 4,215,344</u>

See Notes to the Financial Statements

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2022

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and Cash Equivalents	\$ 3,884,198	\$ -	\$ 3,884,198
Due From Federal Government	264,202	85,325	349,527
Due from Other Funds	<u>358,567</u>	<u>-</u>	<u>358,567</u>
Total Assets	<u>\$ 4,506,967</u>	<u>\$ 85,325</u>	<u>\$ 4,592,292</u>
Liabilities			
Accounts Payable & Accrued Liabilities	\$ 18,381	\$ -	\$ 18,381
Due to Other Funds	<u>-</u>	<u>358,567</u>	<u>358,567</u>
Total Liabilities	<u>18,381</u>	<u>358,567</u>	<u>376,948</u>
Fund Balance			
Unassigned	<u>4,488,586</u>	<u>(273,242)</u>	<u>4,215,344</u>
Total Fund Balance	<u>4,488,586</u>	<u>(273,242)</u>	<u>4,215,344</u>
Total Liabilities and Fund Balances	<u>\$ 4,506,967</u>	<u>\$ 85,325</u>	<u>\$ 4,592,292</u>

See Notes to the Financial Statements

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues			
Federal Sources	\$ 3,794,033	\$ 9,661	\$ 3,803,694
Total Revenues	3,794,033	9,661	3,803,694
Expenditures			
Tuition Paid to Other Districts	3,013,866	-	3,013,866
Executive Administration Support	36,580	-	36,580
Business Office	70,735	-	70,735
Operations and Maintenance	201,277	-	201,277
Pupil Transportation	73,092	-	73,092
Pupil & Instructional Services	121,147	-	121,147
School Administrative Services	2,764	-	2,764
Career Technical Education	1,903	-	1,903
Capital Outlay	7,713	-	7,713
Total Expenditures	3,529,077	-	3,529,077
Revenues Over Expenditures	264,956	9,661	274,617
Net Change in Fund Balance	264,956	9,661	274,617
Fund Balances, Beginning of Year	4,223,630	(282,903)	3,940,727
Fund Balances, End of Year	\$ 4,488,586	\$ (273,242)	\$ 4,215,344

See Notes to the Financial Statements

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Grand Forks Air Force Base Public School District is a District in which five board members are appointed. The accompanying financial statements present the District's primary government.

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. A copy of the Grand Forks Public School District No. 1 financial statements may be obtained through a request of the District's management.

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 the above criteria, there are no component units included in the District's reporting entity.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-wide Financial Statements

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements display information about the District as a whole.

The statement of net position presents the financial condition of the governmental activities of the District at year-end.

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

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

Reconciliations

Accounting principles generally accepted in the United States of America require that all significant differences between the government wide financial statements and the fund financial statements be presented as part of the basic financial statements. The nature of the District's operations does not create any differences between the two statements and therefore the required reconciliation is not necessary.

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 and liabilities. 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, including Student Activity Fund.

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

Capital Projects

This fund accounts for the financial resources related to the capital outlays made by the District. Grand Forks Public School District No. 1 owns all of the facilities and capital assets utilized by the Grand Forks Air Force Base Public School District No. 140. However, the Grand Forks Air Force Base Public School District No. 140 is required to provide for some of the maintenance and capital improvements made to the facilities located at the Grand Forks Air Force Base. Capital projects funds are used to account and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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 and liabilities associated with the operation of the District are included in the statement of net position.

Fund Financial Statements:

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

The current financial resources measurement focus differs from the manner in which the governmental activities of the government-wide financial statements are prepared. The nature of the District's operations does not create any differences between the two statements and therefore the required reconciliation is not necessary.

Basis of Accounting

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

Government-wide financial statements are prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

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: 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 also 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.

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.

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

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

1. The administrator prepares the District's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on modified accrual basis of accounting.
2. The Board reviews the budget, may makes revisions, and adopts the final budget at the September board meeting to ensure it is adopted before the fifteenth of October each year. The budget is than filed with the county auditor by October tenth of each year.
3. The budget may be amended during the year for any revenue and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 15 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 to each respective fund and is available for future appropriation.

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.

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 disclosures 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. |

Capital Assets

General capital assets result from expenditures in the governmental funds. Grand Forks Public School District No. 1 provides and owns all of the real and personal property used by the Grand Forks Air Force Base Public School District No. 140. However, the Grand Forks Air Force Base Public School District No. 140 is required to provide for some of the maintenance and capital improvements made to the facilities located at the Grand Forks Air Force Base.

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

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.

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 does not have any items that qualify for reporting in this category.

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 does not have any items that qualify for reporting in this category.

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.

Net Position Flow Assumption – Sometimes the government will fund outlays for a particular purpose for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Reservations and Designations

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.

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

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 has 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 externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund 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.

NOTE 3 DEPOSITS

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 laws require that all public deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal at least 110% of the deposits not covered by insurance or bonds. The District was sufficiently protected at June 30, 2022.

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

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. The District follows North Dakota law, which authorizes political subdivisions including school districts to invest 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.

NOTE 4 DUE TO/FROM

The District has a due to the general fund of \$358,567 from the capital projects fund to cover the deficit cash at June 30, 2022.

NOTE 5 DEFICIT FUND BALANCE

The capital projects fund has a deficit fund balance of \$273,242 that is expected to be addressed with future revenues or transfers.

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

NOTE 6 COMMITMENTS AND CONTINGENCIES

A. Agreement with Grand Forks Public School District No. 1

The Grand Forks Air Force Base Public School District No. 140 contracts with the Grand Forks Public School District No. 1 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 and state aid received for those students.

B. Estimates

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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

C. Grants

The District receives funding from various grants which are governed by various rules and regulations of the grantor agency. Costs charged to the grant program are subject to audit and adjustment by the grantor agency, therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received and the collectability of any related receivable at June 30, 2022, 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 grant, therefore, no provision has been recorded in the accompanying financial statements for such contingency.

D. Impact Aid

The District receives funding from the Federal Government through the Impact Aid program which is designed to provide additional funding to local school districts that include parcels of land that are owned by the Federal Government and thus exempt from local property taxes or have expenditures that are affected by the enrollment of federally connected children. The amount of funding allocated to each eligible school district is based on an annual count of federally connected children.

NOTE 7 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 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 coverage in any of the past three fiscal years.

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

NOTE 8 NEW PRONOUNCEMENTS

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

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

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

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

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management’s Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statement.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this statement are effective as follows:

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

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, provides guidance on accounting and financial reporting requirements for accounting changes and error corrections. Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

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

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

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

NOTE 9 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through March 24, 2023, which is the date these financial statements were available to be issued.

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues			
Federal Sources	\$ 4,110,118	\$ 3,794,033	\$ (316,085)
Total Revenues	<u>4,110,118</u>	<u>3,794,033</u>	<u>(316,085)</u>
Expenditures			
Tuition Paid to Other Districts	3,024,952	3,013,866	(11,086)
Executive Administration Support	32,514	36,580	4,066
Business Office	61,151	70,735	9,584
Operations and Maintenance	139,800	201,277	61,477
Pupil Transportation	129,500	73,092	(56,408)
Pupil & Instructional Services	165,167	121,147	(44,020)
School Administrative Services	2,400	2,764	364
Career Technical Education	1,500	1,903	403
Capital Outlay	<u>24,500</u>	<u>7,713</u>	<u>(16,787)</u>
Total Expenditures	<u>3,581,484</u>	<u>3,529,077</u>	<u>(52,407)</u>
Net Change in Fund Balance	528,634	264,956	(263,678)
Fund Balances, Beginning of Year	<u>4,223,630</u>	<u>4,223,630</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 4,752,264</u>	<u>\$ 4,488,586</u>	<u>\$ (263,678)</u>

See Note to the Required Supplementary Information

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022

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.

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 under budget by \$52,407 for the year ended June 30, 2022.

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal AL Number	Amount
<u>U.S. Department of Defense</u>		
Direct Programs:		
Competitive Grants: Promoting K-12 Student Achievement at Military Connected Schools	12.556	\$ <u>131,347</u>
Total U.S. Department of Defense		<u>131,347</u>
<u>U.S. Department of Education</u>		
Direct Programs:		
Impact Aid	84.041	3,662,686
Impact Aid Construction	84.041C	<u>9,661</u>
Total 84.041		<u>3,672,347</u>
Total U.S. Department of Education		<u>3,672,347</u>
Total Expenditures of Federal Awards		<u>\$ 3,803,694</u>

See the Notes to the Schedule of Expenditures of Federal Awards

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards (the "Schedule") are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 2 INDIRECT COST RATE

Grand Forks Air Force Base Public School District No. 140 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 includes the federal award activity of the Grand Forks Air Force Base Public School District No. 140 under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Grand Forks Air Force Base Public School District No. 140, it is not intended to and does not present the financial position or changes in net position of Grand Forks Air Force Base Public School District No. 140. 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.

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 Air Force Base Public School District No. 140
Grand Forks Air Force Base, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Grand Forks Air Force Base Public School District No. 140 as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 24, 2023.

Report on 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. We identified a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency.

Report on 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*.

Districts response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



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

March 24, 2023

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 Air Force Base Public School District No. 140
Grand Forks Air Force Base, North Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Grand Forks Air Force Base Public School District No 140's compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or

significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

March 24, 2023

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> none reported

Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
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Identification of major programs:

AL Number(s)	Name of Federal Program or Cluster
84.041	Impact Aid
84.041C	Impact Aid Construction

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>
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Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no
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GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2022

SECTION II - FINANCIAL STATEMENT FINDINGS

2022-001: Report Preparation – Significant Deficiency

Criteria

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

Condition

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

Cause

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

Effect

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

Recommendation

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

Indication of Repeat Finding

No.

Views of Responsible Officials and Planned Corrective Actions

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

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

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



Brandon Baumbach
Business Manager

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Fax: 701.772.7739
bbaumbach020@mygfschools.org

Corrective Action Plan
June 30, 2022

2022-001

Contact Person – Brandon Baumbach, Business Manager

Corrective Action Plan – The District will approve an internal control policy to document the review of the financial statements.

Completion Date – Ongoing.