

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

**FINANCIAL STATEMENTS
JUNE 30, 2022**

WITH INDEPENDENT AUDITOR'S REPORT

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and major fund of **Griggs-Steele-Traill Multidistrict Educational Services** ("GST Multidistrict") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise GST Multidistrict's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and major fund of **Griggs-Steele-Traill Multidistrict Educational Services**, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 **Griggs-Steele-Traill Multidistrict Educational Services**, 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

GST Multidistrict's 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 GST Multidistrict's ability to continue as a going concern for one year after the date that the financial statements are issued.

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 GAAS 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 GAAS, 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 **Griggs-Steele-Traill Multidistrict Educational Services'** 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 **Griggs-Steele-Traill Multidistrict Educational Services'** 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 Schedule of Employer's Share of Net Pension Liability, Schedule of Employer Contributions, Budgetary Comparison Schedule - General Fund, and Notes to the Required Supplementary 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2023, on our consideration of **Griggs-Steele-Traill Multidistrict Educational Services'** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the GST Multidistrict's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Griggs-Steele-Traill Multidistrict Educational Services'** internal control over financial reporting and compliance.

Emphasis of Matter

As discussed in Note 1 of the financial statements, GST Multidistrict adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87 *Leases*, which represents a change in accounting principles. Our audit report is not modified with respect to this matter.

A handwritten signature in black ink, appearing to read "William Rouse".

Fargo, North Dakota
January 25, 2023

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES**STATEMENT OF NET POSITION****JUNE 30, 2022**

	Governmental Activities
ASSETS	
Cash and investments	\$ 853,383
Intergovernmental receivable	499,222
Capital assets, net	<u>7,340</u>
Total assets	<u>1,359,945</u>
DEFERRED OUTFLOWS OF RESOURCES FROM PENSIONS	<u>585,415</u>
Total assets and deferred outflows of resources	<u><u>\$ 1,945,360</u></u>
LIABILITIES	
Accounts payable	\$ 11,611
Accrued expenses	417,144
Long-term liabilities	
Due within one year	
Compensated absences payable	1,324
Due after one year	
Compensated absences payable	11,920
Net pension liability	<u>2,745,495</u>
Total liabilities	<u>3,187,494</u>
DEFERRED INFLOWS OF RESOURCES FROM PENSIONS	<u>1,054,872</u>
NET POSITION	
Net investment in capital assets	7,340
Unrestricted	<u>(2,304,346)</u>
Total net position	<u>(2,297,006)</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 1,945,360</u></u>

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022

		Program Revenues		Net Revenue
				(Expense) and
				Change in
				Net Position
	Expenses	Charges for	Operating	Total
		Services	Grants and	
			Contributions	
GOVERNMENTAL ACTIVITIES				
Preschool special education	\$ 161,983	\$ -	\$ 11,413	\$ (150,570)
Speech impaired	559,420	-	661,385	101,965
Learning disabled	1,965,457	-	1,802,837	(162,620)
Psychological services	42,958	-	-	(42,958)
Occupational therapy	167,387	-	-	(167,387)
Physical therapy	44,239	-	-	(44,239)
Governing board	60,178	-	-	(60,178)
Special area administrative service	349,363	-	-	(349,363)
Support service - business	56,121	-	-	(56,121)
Operations and maintenance	4,250	-	-	(4,250)
Other support services	8,915	-	-	(8,915)
Student transportation services	45,278	-	30,138	(15,140)
Summer school	25,197	-	-	(25,197)
Services provided for another LEA	608,525	-	-	(608,525)
Tuition and assessments	458,357	-	263,024	(195,333)
Total governmental activities	\$ <u>4,557,628</u>	\$ <u>-</u>	\$ <u>2,768,797</u>	<u>(1,788,831)</u>
GENERAL REVENUES				
Member districts				2,090,168
Interest and investment earnings				658
Other revenues				<u>7,915</u>
Total general revenues				<u>2,098,741</u>
Change in net position				309,910
Net position - July 1				<u>(2,606,916)</u>
Net position - June 30				\$ <u>(2,297,006)</u>

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2022

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 853,383
Intergovernmental receivable	<u>499,222</u>
Total assets	\$ <u><u>1,352,605</u></u>
LIABILITIES	
Accounts payable	\$ 11,611
Accrued expenses	<u>417,144</u>
Total liabilities	<u>428,755</u>
FUND BALANCES	
Unassigned	<u>923,850</u>
Total fund balances	<u>923,850</u>
Total liabilities and fund balances	\$ <u><u>1,352,605</u></u>

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Total fund balances for governmental funds		\$ 923,850
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds		
Cost of capital assets	160,446	
Less accumulated depreciation	<u>(153,106)</u>	
		7,340
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		
Deferred outflows of resources related to pensions	585,415	
Deferred inflows of resources related to pensions	<u>(1,054,872)</u>	
		(469,457)
Long-term liabilities applicable to the School District's net pension liability are not due and payable in the current period and accordingly are not reported as fund liabilities - both current and long-term are reported in the statement of net position		
Compensated absences		(13,244)
Net pension liability		<u>(2,745,495)</u>
Total net position of governmental activities		\$ <u>(2,297,006)</u>

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund
REVENUES	
Local sources	\$ 2,098,741
State sources	2,095,999
Federal sources	<u>672,798</u>
Total revenues	<u>4,867,538</u>
EXPENDITURES	
Governing board	60,178
Multiple handicapped instruction	1,990,215
Occupational therapy	168,526
Other support services	24,053
Other student support services	21,685
Physical therapy	101,069
Plant operations	4,250
Preschool special education	127,412
Psychological services	43,250
Services to another LEA	612,670
Special area administrative service	410,239
Special education tuition	458,357
Speech impaired	586,064
Student transportation services	40,873
Summer school	1,927
Support service - business	<u>56,503</u>
Total expenditures	<u>4,707,271</u>
Net change in fund balances	<u>160,267</u>
FUND BALANCES - JULY 1	<u>763,583</u>
FUND BALANCES - JUNE 30	<u><u>\$ 923,850</u></u>

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Net change in fund balances - total governmental funds \$ 160,267

The change in net position reported for governmental activities in the statement of activities is different because:

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

Depreciation expense (4,405)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net decrease in compensated absences 27,540

The net pension liability, and related deferred outflows and inflows of resources are reported in the government wide statements; however, activity related to the pension do not involve financial resources, and are not reported in the funds.

Decrease in net pension liability	1,363,004	
Decrease in deferred outflows of resources	(411,005)	
Increase in deferred inflows of resources	(825,491)	
	126,508	126,508

Change in net position of governmental activities \$ 309,910

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

Reporting Entity

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

Basis of Presentation

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

GST Multidistrict reports the following major governmental fund:

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

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Measurement Focus and Basis of Accounting

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

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

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

Cash and Cash Equivalents

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

Capital Assets

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

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

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

(Continued)

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Pensions

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

Fund Balance

Fund Balance Spending Policy

The order of spending and availability of the fund balance shall be to reduce funds from the listed areas in the following order: restricted, committed, assigned, and unassigned. GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

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

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

(Continued)

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Accounts Payable

Accounts payable consists of amounts owed for goods and services received prior to June 30 and chargeable to the appropriations for the year then ended but paid subsequent to that date.

Salaries and Benefits Payable

Salaries and benefits payable consists of salaries earned by employees but not paid until after year-end. It also consists of benefits owed to federal, state, and private agencies for amounts withheld from teacher's salaries as of June 30.

Compensated Absences

Compensated absences consist of personal leave which is compensated at termination of employment at the rate of \$115 per day. In addition, unused sick leave for individuals employed for at least ten years is paid upon termination at a rate of \$25 per day. The liability for the portion of compensated absences related to annual leave is reported in the government-wide statement of Net Position.

Net Position

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

New Accounting Pronouncement

After analyzing GASB Statement No. 87, *Leases*, management has not recorded any lease liabilities or right of use assets as they have deemed the amounts to be immaterial to the overall financial statements.

NOTE 2 – CASH AND CASH EQUIVALENTS

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

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

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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

At the years ended June 30, 2022, GST Multidistrict's carrying amounts of bank deposits totaled \$853,383 and the bank balance totaled \$1,009,732. Of the bank balances, \$250,000 was covered by Federal Depository Insurance and the remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk:

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

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

Concentration of Credit Risk:

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

NOTE 3 – INTERGOVERNMENTAL RECEIVABLES

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

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2022****NOTE 4 – CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended June 30, 2022:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Capital assets				
Vehicles	\$ 133,821	\$ -	\$ -	\$ 133,821
Equipment	<u>26,625</u>	<u>-</u>	<u>-</u>	<u>26,625</u>
Total capital assets	<u>160,446</u>	<u>-</u>	<u>-</u>	<u>160,446</u>
Less accumulated depreciation for				
Vehicles	122,076	4,405	-	126,481
Equipment	<u>26,625</u>	<u>-</u>	<u>-</u>	<u>26,625</u>
Total accumulated depreciation	<u>148,701</u>	<u>4,405</u>	<u>-</u>	<u>153,106</u>
Capital assets, net	\$ <u>11,745</u>	\$ <u>(4,405)</u>	\$ <u>-</u>	\$ <u>7,340</u>

All depreciation expense, totaling \$4,405 in 2022 was charged to the transportation function.

NOTE 5 – COMPENSATED ABSENCES

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

NOTE 6 – RISK MANAGEMENT

GST Multidistrict is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, the state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The School District pays an annual premium to NDRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$772,421 for public asset coverage.

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

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

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 7 – PENSION PLANS

General Information about the TFFR Pension Plan

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

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

A Tier 1 grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or the sum of age and years of service credit equals or exceeds 85. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 6% per year for every year the member's retirement age is less than 65 years or the date as of which age plus service equal 85. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 2% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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% 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% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Death and Disability Benefits

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

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

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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.

At June 30, 2022, GST Multidistrict reported a liability of \$2,745,495 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. GST Multidistrict's proportion of the net pension liability was based on GST Multidistrict's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. On July 1, 2020, GST Multidistrict's proportion was 0.26056863 percent, which was a decrease of 0.00787238 from its proportion measured as of July 1, 2020.

For the year ended June 30, 2022, GST Multidistrict recognized pension expense of \$118,178. At June 30, 2022, GST Multidistrict reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 19,075	\$ 115,785
Changes of assumptions	96,435	-
Net difference between projected and actual earnings on pension plan investments	-	804,470
Changes in proportion and differences between employer contributions and proportionate share of contributions	225,221	134,617
Employer contributions subsequent to the measurement date	<u>244,684</u>	<u>-</u>
	\$ <u>585,415</u>	\$ <u>1,054,872</u>

\$244,684 reported as deferred outflows of resources related to pensions resulting from GST Multidistrict contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

(Continued)

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

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:

Year ended June 30:

2023	\$ (141,747)
2024	(147,023)
2025	(183,409)
2026	(247,320)
2027	27,943
Thereafter	(22,585)

Actuarial Assumptions

The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial 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 including inflation
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.

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.

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.

(Continued)

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

The long-term expected rate of return on TFFR investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 TFFR target asset allocation as of June 30, 2021, is summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equities	55%	6.87%
Global fixed income	26%	0.74%
Global real assets	18%	4.80%
Cash equivalents	1%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.25% percent as of June 30, 2021. 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, 2021, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of July 1, 2021. 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, 2021.

Sensitivity of the GST Multidistrict Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents GST Multidistrict's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what GST Multidistrict's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate as of:

	1% Decrease (6.25%)	Current Discount Rate (7.75%)	1% Increase (8.25%)
District's proportionate share of net pension liability	\$ 4,122,463	\$ 2,745,495	\$ 1,602,063

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 <https://www.rio.nd.gov/sites/www/files/documents/PDFs/RIO/Reports/annualreport2021.pdf>.

**GRIGGS-STEELE-TRAILL
MULTIDISTRICT
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**REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022 AND 2021**

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

Schedule of Employer's Share of Net Pension Liability

<u>Pension Plan</u>	<u>Measurement Date</u>	<u>Employer's Proportion of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
ND TFFR	6/30/2021	0.260569%	\$ 2,745,495	\$ 2,008,201	136.71%	75.7%
ND TFFR	6/30/2020	0.268441%	\$ 4,108,499	\$ 1,958,708	209.76%	63.4%
ND TFFR	6/30/2019	0.254168%	\$ 3,500,534	\$ 1,783,059	196.32%	65.5%
ND TFFR	6/30/2018	0.259095%	\$ 3,453,373	\$ 1,761,354	196.06%	65.5%
ND TFFR	6/30/2017	0.251010%	\$ 3,447,691	\$ 1,694,248	203.49%	63.2%
ND TFFR	6/30/2016	0.245532%	\$ 3,597,192	\$ 1,595,284	225.49%	59.2%
ND TFFR	6/30/2015	0.231186%	\$ 3,023,578	\$ 1,422,035	212.62%	62.1%
ND TFFR	6/30/2014	0.249042%	\$ 2,609,519	\$ 1,444,577	180.64%	66.6%

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

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

SCHEDULE OF EMPLOYER CONTRIBUTIONS LAST 10 FISCAL YEARS*

Schedule of Employer's Contributions						
Pension Plan	Measurement Date	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
ND TFFR	6/30/2021	\$ 256,046	\$ (256,046)	\$ -	\$ 2,008,201	12.75%
ND TFFR	6/30/2020	\$ 249,737	\$ (249,737)	\$ -	\$ 1,958,708	12.75%
ND TFFR	6/30/2019	\$ 227,340	\$ (227,340)	\$ -	\$ 1,783,059	12.75%
ND TFFR	6/30/2018	\$ 224,573	\$ (224,573)	\$ -	\$ 1,761,534	12.75%
ND TFFR	6/30/2017	\$ 216,017	\$ (216,017)	\$ -	\$ 1,694,248	12.75%
ND TFFR	6/30/2016	\$ 203,399	\$ (203,399)	\$ -	\$ 1,595,284	12.75%
ND TFFR	6/30/2015	\$ 181,301	\$ (181,301)	\$ -	\$ 1,422,035	12.75%
ND TFFR	6/30/2014	\$ 155,291	\$ (155,291)	\$ -	\$ 1,444,577	10.75%

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

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
REVENUES			
Local sources	\$ 1,824,575	\$ 2,098,741	\$ 274,166
State sources	1,897,683	2,095,999	198,316
Federal sources	<u>754,725</u>	<u>672,798</u>	<u>(81,927)</u>
Total revenues	<u>4,476,983</u>	<u>4,867,538</u>	<u>390,555</u>
EXPENDITURES			
Governing board	64,257	60,178	(4,079)
Multiple handicapped instruction	1,997,205	1,990,215	(6,990)
Occupational therapy	141,690	168,526	26,836
Other support services	24,220	24,053	(167)
Other student support services	21,500	21,685	185
Physical therapy	116,252	101,069	(15,183)
Plant operations	4,210	4,250	40
Preschool special education	126,961	127,412	451
Psychological services	40,000	43,250	3,250
Services to another LEA	660,327	612,670	(47,657)
Special area administrative service	368,046	410,239	42,193
Special education tuition	110,000	458,357	348,357
Speech impaired	600,839	586,064	(14,775)
Student transportation services	50,000	40,873	(9,127)
Summer school	-	1,927	1,927
Support service - business	<u>54,874</u>	<u>56,503</u>	<u>1,629</u>
Total expenditures	<u>4,380,381</u>	<u>4,707,271</u>	<u>326,890</u>
Net change in fund balance	<u>96,602</u>	<u>160,267</u>	<u>63,665</u>
FUND BALANCE, JULY 1	<u>763,583</u>	<u>763,583</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 860,185</u>	<u>\$ 923,850</u>	<u>\$ 63,665</u>

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2022

NOTE 1 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

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

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

Expenditures in Excess of Appropriations

During the year ended June 30, 2022, expenditures exceeded appropriations by \$326,890. No remedial action is anticipated or required by GST Multidistrict regarding these excess expenditures.

NOTE 2 – PENSION PLAN – CHANGES OF ASSUMPTIONS

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%.
- Individual salary increases were lowered.
- Rates of turnover, retirement and disability were changed to better reflect anticipated future experience.
- The post-retirement health 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.

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2022

Amounts reported in 2016-2020 reflect the following actuarial assumption changes based on the results of an actuarial experience study dated April 30, 2015.

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of **Griggs-Steele-Traill Multidistrict Educational Services**, as of and for the years ended June 30, 2022, and the related notes to the financial statements, which collectively comprise **Griggs-Steele-Traill Multidistrict Educational Services'** basic financial statements and have issued our report thereon dated January 25, 2023.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2022-001, 2022-002 and 2022-003 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Griggs-Steele-Traill Multidistrict Educational Services'** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 is required to be reported under *Government Auditing Standards*.

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

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

Purpose of this Report

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



Fargo, North Dakota
January 25, 2023

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2022

2022-001 (MATERIAL WEAKNESS) – SEGREGATION OF DUTIES

Condition

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

Criteria

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

Cause

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

Effect

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

Recommendation

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

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

Views of Responsible Officials

Due to the size of **Griggs-Steele-Traill Multidistrict Educational Services**, it is not feasible to obtain proper segregation of duties. The cost of adding personnel would exceed the benefit.

2022-002 (MATERIAL WEAKNESS) – FINANCIAL STATEMENT PREPARATION

Condition

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

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2022

Criteria

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

Cause

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

Effect

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

Recommendation

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

Views of Responsible Officials

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

2022-003 (MATERIAL WEAKNESS) – MATERIAL AUDIT ADJUSTMENTS

Condition

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

- Reclassification of 2022 receivables, payables and accrued expenses
- Government-wide only entries to record property and equipment and related depreciation
- Government-wide only entries to record pension-related transactions and balances

Criteria

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

Cause

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

GRIGGS-STEELE-TRAILL MULTIDISTRICT EDUCATIONAL SERVICES
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2022

Effect

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

Recommendation

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

Views of Responsible Officials

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