GRAFTON PUBLIC SCHOOL DISTRICT NO. 18
GRAFTON, NORTH DAKOTA

AUDITED BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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GRAFTON PUBLIC SCHOOL DISTRICT NO. 18
ROSTER OF SCHOOL OFFICIALS - UNAUDITED
JUNE 30, 2023

Donald Suda	President
Nathan Green	Vice-President
Chad Bigwood	Board Member
Trina Papenfuss	Board Member
Maggie Suda	Board Member
Jennifer Thompson	Board Member
Jayce Schumacher	Board Member
Darren Albrecht	Superintendent
Cathi Heuchert	Business Manager

BradyMartz

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Grafton Public School District No. 18
Grafton, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Grafton Public School District No. 18, as of and for the year ended June 30, 2023, 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 the governmental activities, each major fund and the aggregate remaining fund information of the Grafton Public School District No. 18, as of June 30, 2023, 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 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.

Emphasis of Matter

Change in Accounting Principle

As described in Note 2 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 96 *Subscription-Based Information Technology Arrangements.* Our opinions are not modified with respect to this matter.

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 judgement 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 judgement 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 judgement, 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, budgetary comparison information, schedules, and notes as listed in the table of contents as required supplementary information 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 combining balance sheet – non-major governmental funds and combining statement of revenues, expenditures and changes in fund balance – non-major governmental funds as listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the 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 combining balance sheet – non-major governmental funds, combining statement of revenues, expenditures and changes in fund balance – non-major governmental funds and schedule of expenditures of federal awards are 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 page one. 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 September 18, 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

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

September 18, 2023

The discussion and analysis of Grafton Public School District's financial performance provides an overall review of the District's financial activities for the year ended June 30, 2023. 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 2023 are as follows:

- Net position of the District increased $2,510,090 as a result of the current year's operations.
- Governmental net position totaled $14,979,645.
- Total revenues from all sources were $16,834,417.
- Total expenses were $14,626,661.
- The District's general fund had $15,312,115 in total revenues, $12,624,952 in expenditures, and $1,711,499 in net transfers and other financing sources/uses. Overall, the general fund balance increased by $975,664 for the year ended June 30, 2023.

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 Grafton Public School District No. 18 as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District do financially during the year ended June 30, 2023?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, deferred inflows and outflows of resources, 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.

These two statements report the District's net position and changes in its net 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 many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, Building Fund, Sinking and Interest Fund #9 and the Sinking and Interest Fund #12.

Governmental Funds

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

Financial Analysis of the District as a Whole

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

Table 1 provides a summary of the District's net position as of June 30, 2023.

As indicated in the financial highlights, the District's net position increased by $2,510,090. Long-term liabilities increased by $3,815,421 for the year ended June 30, 2023 primarily due to changes in the net pension liability and payments on the school construction bonds. Net position may serve over time as a useful indicator of the District's financial position.

The District's net position of $14,979,645 is segregated into three separate categories. Net position invested in Capital Assets (net of related debt) represents $16,813,516 of the District's entire net position. It should be noted that these assets are not available for future spending. Restricted net position represents $4,508,845 of the District's net position. Restricted net position represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted net position represents $(6,342,716) of the District's net position. The unrestricted net position is available to meet the District's ongoing obligations.

Table 1

	2023	2022
Assets		
Current Assets	$ 9,614,667	$ 9,560,008
Capital Assets (Net of Accumulated Depreciation)	27,285,084	26,015,741
Lease Assets (Net of Accumulated Amortization)	131,868	-
SBITA Assets (Net of Accumulated Amortization)	171,750	-
Total Assets	37,203,369	35,575,749
Deferred Outflows of Resources	4,159,001	2,545,011
Liabilities		
Current Liabilities	1,761,408	1,900,279
Non-Current Liabilities	22,373,278	18,510,445
Total Liabilities	24,134,686	20,410,724
Deferred Inflows of Resources	2,248,039	5,417,346
Net Position		
Net Investment in Capital Assets	16,813,516	14,284,205
Restricted	4,508,845	5,277,785
Unrestricted	(6,342,716)	(7,269,300)
Total Net Position	$ 14,979,645	$ 12,292,690

Table 2 shows the changes in net position for the fiscal years ended June 30, 2023 and 2022:

Table 2

	2023	2022
Revenues		
Program Revenues		
Charges for Services	$ 888,664	$ 827,231
Operating Grants and Contributions	3,470,707	4,695,125
Capital Grants and Contributions	302,334	-
General Revenues		
Property Taxes	2,875,033	2,788,722
State Aid - Formula Grants	9,398,890	9,670,373
Investment Earnings	162,474	43,786
Miscellaneous	38,649	-
Total Revenues	17,136,751	18,025,237
Expenses		
Business Support Services	401,305	278,964
Instructional Support Services	621,132	358,423
Administration	802,014	758,472
Operations and Maintenance	1,602,651	1,077,869
Transportation	534,601	529,596
Regular Instruction	7,014,757	7,047,610
Special Education	1,714,523	1,498,470
Vocational Education	218,298	218,298
Extra-Curricular Activities	840,934	785,137
Food Services	650,788	618,891
Interest and Fees on Long-Term Debt and Lease	225,658	236,418
Total Expenses	14,626,661	13,408,148
Change in Net Position	2,510,090	4,617,089
Net Position - Beginning	12,292,690	6,525,367
Change in Accounting Principle - See Note 8	176,865	1,150,234
Net Position - Beginning as Restated	12,469,555	7,675,601
Net Position - Ending	$ 14,979,645	$ 12,292,690

Property taxes constituted 17%, state aid 54%, operating grants and contributions 20%, charges for services made up 5%, and interest income made up less than 1% of the total revenues of governmental activities of the District for fiscal year 2023.

Regular instruction comprised 48% 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

	Total Cost for Year Ended 6/30/2023	Net Cost for Year Ended 6/30/2023	Total Cost for Year Ended 6/30/2022	Net Cost for Year Ended 6/30/2022
Business Support Services	$ 401,305	$ (401,305)	$ 278,964	$ (278,964)
Instructional Support Services	621,132	(621,132)	358,423	(358,423)
Administration	802,014	(802,014)	758,472	(758,472)
Operations and Maintenance	1,602,651	(1,300,317)	1,077,869	(1,077,869)
Transportation	534,601	(258,346)	529,596	(280,592)
Regular Instruction	7,014,757	(3,969,014)	7,047,610	(2,562,858)
Special Education	1,714,523	(1,675,268)	1,498,470	(1,463,077)
Vocational Education	218,298	(213,879)	218,298	(213,619)
Extra-Curricular Activities	840,934	(443,490)	785,137	(785,137)
Food Services	650,788	(54,533)	618,891	129,637
Interest and Fees on Long-Term Debt and Lease Liabilities	225,658	(225,658)	236,418	(236,418)
Total Expenses	$ 14,626,661	$ (9,964,956)	$ 13,408,148	$ (7,885,792)

Business support services and administration include expenses associated with administrative and financial supervision of the District.

Instructional support services include the activities involved with assisting staff with the content and process of teaching pupils.

Operations and maintenance of plant activities involve maintaining the school grounds, buildings, and equipment in an effective working condition.

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.

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

Special education includes costs that support the education of students with other needs.

Vocational education includes expenditures that support the teaching of vocational type instruction.

Extra-curricular activities include expenses related to student activities provided by the District, which are designed to provide opportunities for pupils to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Food Services include expenses directly dealing with providing breakfast and lunch service to students and staff of the District.

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

Financial Analysis of the District's Governmental Funds

The focus of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unassigned fund balance generally may be used as a measure of the District's net resources available for spending at the end of the fiscal year. These funds are accounted for by using the modified accrual basis of accounting. The District's governmental funds had total revenues of $17,149,683 and expenditures of $16,996,294 for the year ended June 30, 2023. As of June 30, 2023, the unassigned fund balance of the District's general fund was $3,816,669.

Budget Highlights

During the course of the 2023 fiscal year, the District's general fund received $1,185,427 more revenues and incurred $1,587,392 less expenditures than budgeted. This is primarily the result of more federal, state, and local income received during the year as well as less regular instruction expenditures incurred than anticipated during the budgeting process.

Capital Assets

As of June 30, 2023, the District had $27,285,084 invested in capital assets, net of accumulated depreciation. Table 4 shows balances as of June 30, 2023 (see Note 4 for details).

Table 4

Land and Land Improvements	$ 3,643,928
Construction in Progress	237,693
Buildings	21,495,259
Equipment	1,564,934
Vehicles	343,270
Total	$ 27,285,084

Long-Term Liabilities:

As of June 30, 2023, the District had $23,362,514 in outstanding long-term liabilities. The District increased its long-term liabilities by $3,815,421 from June 30, 2022 (See Note 5). See below for a description of the District's long-term liabilities:

	Balance 7/1/2022	Additions	Retirements	Balance 6/30/2023
General Obligation State School Construction Fund Bonds of 2010	$ 600,000	$ -	$ -	$ 600,000
Grafton Educational Foundation Lease Revenue Bonds of 2013	2,525,000	-	(190,000)	2,335,000
State School Construction Fund Bonds of 2014	8,419,965	-	(724,315)	7,695,650
Leases	158,692	-	(39,501)	119,191
Premium on Bonds Payable	27,879	-	(2,534)	25,345
Early Retirement	101,414	-	(85,671)	15,743
Net OPEB Liability	59,149	85,241	(14,144)	130,246
Net Pension Liability	7,654,994	6,274,504	(1,488,159)	12,441,339
Total	$ 19,547,093	$ 6,359,745	$ (2,544,324)	$ 23,362,514

For the Future:

Grafton Public Schools will commit to financial stability and sustainability. This will require state commitment to education funding, local support for the educational experience expected by district stakeholders, and ongoing federal support for federal education mandates. The District receives its state funding as dictated by the legislation passed. Student enrollment is the main contribution to revenue generated by the district. Grafton District will continue to evaluate our financial status based on the demographics and needs of our families and students.

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 Cathi Heuchert, Business Manager, Grafton Public School District, 1548 School Road, Grafton, ND 58237, or email at cathi.heuchert@k12.nd.us.

GRAFTON PUBLIC SCHOOL DISTRICT NO. 18
STATEMENT OF NET POSITION
JUNE 30, 2023

ASSETS		
Current Assets:		
Cash	$	8,249,781
Due from Other Governments		8,634
Property Taxes Receivable (Net)		175,103
Due From State		1,119,170
Prepaid Expenses		61,979
Total Current Assets		9,614,667
Non-Current Assets:		
Capital Assets		
Land		396,326
Land Improvements		3,916,089
Buildings		29,880,693
Equipment		4,847,709
Vehicles		1,047,326
Construction in Progress		237,693
Less Accumulated Depreciation		(13,040,752)
Leased Assets		197,802
Less Accumulated Amortization		(65,934)
SBITA Assets		240,210
Less Accumulated Amortization		(68,460)
Total Non-Current Assets		27,588,702
TOTAL ASSETS		37,203,369
DEFERRED OUTFLOWS OF RESOURCES		
Cost Sharing Defined Benefit Pension Plan - TFFR		1,565,049
Cost Sharing Defined Benefit Pension Plan - NDPERS		2,527,113
Cost Sharing Defined Benefit OPEB Plan - NDPERS		66,839
TOTAL DEFERRED OUTFLOWS OF RESOURCES		4,159,001
LIABILITIES		
Current Liabilities:		
Accounts Payable		58,671
Accrued Payroll		687,986
Interest Payable		25,515
Early Retirement Payable Within a Year		15,743
Bonds Payable Within a Year		933,303
Lease Liabilities Payable Within a Year		40,190
Total Current Liabilities		1,761,408
Long-Term Liabilities:		
Bonds Payable (Net of Current Portion)		9,722,692
Lease Liabilities (Net of Current Portion)		79,001
Net OPEB Liability		130,246
Net Pension Liability		12,441,339
Total Non-Current Liabilities		22,373,278
TOTAL LIABILITIES		24,134,686

See Notes to the Basic Financial Statements

GRAFTON PUBLIC SCHOOL DISTRICT NO. 18
STATEMENT OF NET POSITION - CONTINUED
JUNE 30, 2023

DEFERRED INFLOWS OF RESOURCES		
Cost Sharing Defined Benefit Pension Plan - TFFR	$	675,347
Cost Sharing Defined Benefit Pension Plan - NDPERS		1,558,341
Cost Sharing Defined Benefit OPEB Plan - NDPERS		14,351
TOTAL DEFERRED INFLOWS OF RESOURCES		2,248,039
NET POSITION		
Net Investment in Capital, Lease and SBITA Assets		16,813,516
Restricted for:		
Debt Service		711,183
Scholarships		110,016
Building		3,358,542
Student Activities		329,104
Unrestricted		(6,342,716)
TOTAL NET POSITION	$	14,979,645

See Notes to the Basic Financial Statements

GRAFTON PUBLIC SCHOOL DISTRICT NO. 18
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES					
Business Support Services	$ 401,305	$ -	$ -	$ -	$ (401,305)
Instructional Support Services	621,132	-	-	-	(621,132)
Administration	802,014	-	-	-	(802,014)
Operations and Maintenance	1,602,651	-	-	302,334	(1,300,317)
Transportation	534,601	-	276,255	-	(258,346)
Regular Instruction	7,014,757	334,918	2,710,825	-	(3,969,014)
Special Education	1,714,523	-	39,255	-	(1,675,268)
Vocational Education	218,298	-	4,419	-	(213,879)
Extra-Curricular Activities	840,934	397,444	-	-	(443,490)
Food Services	650,788	156,302	439,953	-	(54,533)
Interest and Fees on Long-Term Debt	225,658	-	-	-	(225,658)
TOTAL GOVERNMENTAL ACTIVITIES	$ 14,626,661	$ 888,664	$ 3,470,707	$ 302,334	(9,964,956)
GENERAL REVENUES					
Property Taxes, Levied for General Purposes					1,818,418
Property Taxes, Levied for Capital Projects					235,943
Property Taxes, Levied for Debt Service					820,672
Aids and Payments from the State					9,398,890
Miscellaneous					38,649
Unrestricted Investment Earnings					162,474
TOTAL GENERAL REVENUES					12,475,046
Change in Net Position					2,510,090
Net Position - Beginning					12,292,690
Change in Accounting Principle - See Note 8					176,865
Net Position - Beginning, As Restated					12,469,555
Net Position - Ending					$ 14,979,645

See Notes to the Basic Financial Statements

GRAFTON PUBLIC SCHOOL DISTRICT NO. 18
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Building Fund	Sinking & Interest #9	Sinking & Interest #12	Other Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash	$ 3,749,588	$ 3,343,933	$ 77,230	$ 599,999	$ 479,031	$ 8,249,781
Property Taxes Receivable (Net)	97,826	14,609	59,469	-	3,199	175,103
Due from Other Funds	12,991	-	-	-	-	12,991
Due from State	1,109,140	-	-	-	10,030	1,119,170
Due from Other Governments	8,620	-	-	-	14	8,634
Prepaid Items	61,979	-	-	-	-	61,979
TOTAL ASSETS	$ 5,040,144	$ 3,358,542	$ 136,699	$ 599,999	$ 492,274	$ 9,627,658
LIABILITIES						
Accounts Payable	$ 57,786	$ -	$ -	$ -	$ 885	$ 58,671
Due to Other Funds	-	-	-	-	12,991	12,991
Accrued Payroll	683,299	-	-	-	4,687	687,986
TOTAL LIABILITIES	741,085	-	-	-	18,563	759,648
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue - Uncollected Taxes	91,307	13,599	55,586	-	2,990	163,482
TOTAL DEFERRED INFLOWS OF RESOURCES	91,307	13,599	55,586	-	2,990	163,482
FUND BALANCES						
Non-Spendable	61,979	-	-	-	-	61,979
Restricted	329,104	3,344,943	81,113	599,999	110,016	4,465,175
Committed	-	-	-	-	230,475	230,475
Assigned	-	-	-	-	130,230	130,230
Unassigned	3,816,669	-	-	-	-	3,816,669
TOTAL FUND BALANCES	4,207,752	3,344,943	81,113	599,999	470,721	8,704,528
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 5,040,144	$ 3,358,542	$ 136,699	$ 599,999	$ 492,274	$ 9,627,658

See Notes to the Basic Financial Statements

GRAFTON PUBLIC SCHOOL DISTRICT NO. 18
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total fund balances - governmental funds		$ 8,704,528
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as net assets in government funds:		
Cost of capital assets	$ 40,325,836	
Less: accumulated depreciation and accumulated amortization	(13,040,752)	
Net		27,285,084
Lease assets used in governmental activities are not financial resources and, therefore are not reported as assets in governmental funds.		
Cost	197,802	
Less: Accumulated Amortization	(65,934)	
Net		131,868
SBITA assets used in governmental activities are not financial resources and, therefore are not reported as assets in governmental funds.		
Cost	240,210	
Less: Accumulated Amortization	(68,460)	
Net		171,750
Net deferred outflows/(inflows) of resources relating to the cost sharing defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows/(inflows) of resources in the governmental funds.		1,910,962
Bond premiums that are amortized over the life of the debt issue		(25,345)
Property taxes receivable will be collected during the year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		163,482
Long-term liabilities are not due and payable in the current period and therefore are not recorded as liabilities in the governmental funds.		
Lease Liabilities		(119,191)
Bonds Payable		(10,630,650)
Early Retirement Payable		(15,743)
Net OPEB Liability		(130,246)
Net Pension Liability		(12,441,339)
Interest payable is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.		(25,515)
Net Position - Governmental Activities		$ 14,979,645

See Notes to the Basic Financial Statements

GRAFTON PUBLIC SCHOOL DISTRICT NO. 18
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Building Fund	Sinking & Interest #9	Sinking & Interest #12	Other Non-Major Governmental Funds	Total Governmental Funds
REVENUES						
Local Property Tax Levies	$ 1,771,662	$ 239,585	$ 826,129	$ -	$ 50,591	$ 2,887,967
Other Local and County Revenues	771,011	-	-	-	191,302	962,313
Revenue from State Sources	9,714,400	-	-	-	2,710	9,717,110
Revenue from Federal Sources	2,951,457	-	-	31,119	437,243	3,419,819
Interest	103,585	38,030	5,987	8,463	6,409	162,474
TOTAL REVENUES	15,312,115	277,615	832,116	39,582	688,255	17,149,683
EXPENDITURES						
Current:						
Business Support Services	401,305	-	-	-	-	401,305
Instructional Support Services	621,132	-	-	-	-	621,132
Administration	802,014	-	-	-	-	802,014
Operations and Maintenance	1,153,560	449,091	-	-	-	1,602,651
Transportation	457,122	-	-	-	-	457,122
Regular Instruction	5,850,599	-	-	-	34,375	5,884,974
Special Education	1,714,523	-	-	-	-	1,714,523
Vocational Education	218,298	-	-	-	-	218,298
Extra-Curricular Activities	840,934	-	-	-	-	840,934
Food Services	-	-	-	-	650,788	650,788
Capital Outlay	523,531	2,094,853	-	-	-	2,618,384
Debt Service:						
Principal Retirement - Long-Term Debt	-	-	914,315	-	-	914,315
Principal Retirement - Leases	39,501	-	-	-		39,501
Interest and Fiscal Charges on Long-Term Debt	-	-	194,920	33,000		227,920
Interest and Fiscal Charges on Leases	2,433	-	-	-	-	2,433
TOTAL EXPENDITURES	12,624,952	2,543,944	1,109,235	33,000	685,163	16,996,294
Excess (Deficiency) of Revenues over Expenditures	2,687,163	(2,266,329)	(277,119)	6,582	3,092	153,389
OTHER FINANCING SOURCES						
Proceeds on Sale of Capital Assets	3,500		-	-	-	3,500
Transfers Out	(1,721,505)	(175,000)	-	(6,506)	-	(1,903,011)
Transfers In	6,506	1,600,000	296,505	-	-	1,903,011
TOTAL OTHER FINANCING SOURCES (USES)	(1,711,499)	1,425,000	296,505	(6,506)	-	3,500
Net Change in Fund Balances	975,664	(841,329)	19,386	76	3,092	156,889
Fund Balance - Beginning of Year	3,232,088	4,186,272	61,727	599,923	467,629	8,547,639
Fund Balance - End of Year	$ 4,207,752	$ 3,344,943	$ 81,113	$ 599,999	$ 470,721	$ 8,704,528

See Notes to the Basic Financial Statements

GRAFTON PUBLIC SCHOOL DISTRICT NO. 18
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Total net change in fund balances - Governmental Funds		$ 156,889
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the useful lives as depreciation expense.		
Capital Outlays	$ 2,618,384	
Depreciation Expense	(1,124,397)	
Excess of capital outlay over depreciation expense		1,493,987
Net Book Value on Disposal of Asset		(59,809)
Lease payments are reported in the governmental funds as expenditures. However, in the statement of activities, those assets are set up as lease assets and amortized over the life of the lease along with interest expenses. In the current period, this resulted in the following difference:		
Amortization Expense - Leases	$ (32,967)	
Interest Expense - Leases	(2,376)	
Fund Financials Expenses - Leases	41,879	6,536
SBITA payments are reported in the governmental funds as expenditures. However, in the statement of activities, those assets are set up as SBITA assets and amortized over the life of the lease along with interest expenses. In the current period, this resulted in the following difference:		
Amortization Expense -SBITA	$ (68,460)	
Fund Financials Expenses - SBITA	63,345	(5,115)
Some revenues will not be collected for several months after the District's fiscal year end. These revenues are considered "available" revenues in the government funds. These revenues consist of:		
Net change in unavailable property taxes		(12,934)
Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position.		914,315
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These items consisted of the (increase)/decrease in:		
Early Retirement		85,671
Changes in deferred outflows and inflows of resources related to net pension liability		4,783,297
Change in net OPEB liability		(71,097)
Change in net pension liability		(4,786,345)
Amortization of premiums received from bond issuance		2,534
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		2,161
Change in net position - Governmental Activities		$ 2,510,090

See Notes to the Basic Financial Statements

NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Grafton Public School District operates the public schools in the City of Grafton, North Dakota. There is one elementary school and one junior/senior high school.

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

Based on these criteria, there are no component units to be included within the District's reporting entity.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-Wide Financial Statements:

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

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

The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. The statement identifies the extent to which each governmental function is self-financing or drawing from the general revenues of the District. Direct expenses are expenses that are specifically associated with a service, program or department. The direct expenses are clearly identifiable to a particular function. Program revenues include charges to recipients for goods or services offered by the program and grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District.

Fund Financial Statements:

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

Fund Accounting

The District's funds consist of the following:

Governmental Funds:

Governmental funds are utilized to account for most of the District's governmental functions. The reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which the obligation will be paid. Fund balance represents the difference between the governmental fund assets 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 the Student Activity Fund.

Debt Service Funds:
The Debt Service fund is used to account for the accumulation of resources for, and the payments of, general long-term debt principal, interest, and related costs. The sinking and interest fund's #9 and #12 are included in this category.

Building Fund:
The Building fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for acquiring school sites, constructing and equipping new school facilities and renovating existing facilities. The special assessment fund is included in this category.

The District's non-major governmental funds are as follows:

Special Revenue Funds:
Special Revenue funds are used to account for the proceeds of certain specific revenue sources that are legally restricted to expenditures for specified purposes. Included in this category are the transactions for the special reserve funds, scholarship funds and the food service fund.

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, deferred inflows and outflows of resources, and liabilities associated with the operation of the District are included in the statement of net position.

Fund Financial Statements:

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

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

Basis of Accounting:

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

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

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

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

Revenues - Exchange and Non-Exchange Transactions:

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

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

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

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

Unearned Revenues:

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

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

Expenses and Expenditures:

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

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 at the September board meeting to ensure it is adopted before the fifteenth of October each year. The budget is then filed with the county auditor by October tenth 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 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 back 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.

Capital Assets:

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities' column of the government-wide statement of net position but are not reported as assets in the fund financial statements. All capital assets are recorded at cost (or estimated historical cost). The assets are updated for additions and retirements during the District's fiscal year. The District has established a capitalization threshold of $5,000. Donated fixed assets are recorded at their acquisition values at the date received. The District does not have any infrastructure assets. Improvements that significantly extend the useful life of the asset are also capitalized.

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

Land Improvements	50 Years
Buildings and Improvements	50 Years
Equipment and Fixtures	5 to 20 Years
Vehicles	8 Years

Leases

The determination of whether an arrangement contains a lease is made at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the District has control of the right to use asset. Control includes the right to obtain present service capacity and the right to determine the nature and manner of use of the underlying asset, as specified in the contract.

Leases with an initial lease term of more than 12 months, or that contain an option to purchase that the District is reasonably certain to exercise, are recognized based on the present value of lease payments over the lease term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the District uses its incremental borrowing rate based on the information available at the lease commencement date. The District has made an accounting policy election to use a risk free rate based on US Treasury T-bill rate as of the lease commencement. The District accounts for lease agreements with lease and nonlease components together as a single lease component for all underlying classes of assets.

The District continues to record rent expense for short term leases on a straight-line basis over the lease term. Short term leases have a term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the District is reasonably certain to exercise.

The depreciable life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

The District's lease agreements do not include any material residual value guarantees or restrictive covenants.

Subscription-Based Information Technology Arrangements (SBITA)

Subscription-Based Information Technology Arrangements (SBITA) are contracts that conveys control of the right to use another party's 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.

The determination of whether a SBITA asset and liability are to be recorded in the financial statements is made at inception by evaluating the maximum possible term of the SBITA.

A SBITA contract with an initial term of more than 12 months, or that contain an option to extend the contract more than 12 months that is reasonably expected to be exercised by the District, are recognized based on the present value of subscription payments over the contract term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the District uses its incremental borrowing rate based on the information available at the SBITA contract commencement date. The District has made an accounting policy election to use a risk-free rate based on US Treasury T-bill rate as of the SBITA contract commencement.

The District continues to recognize short-term SBITA subscription payments as outflows of resources (expenditure) based on the payment provision of the SBITA contract. Short-term SBITA contracts have a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised.

The amortizable life of SBITA assets are limited to the shorter of the expected agreement term or the useful life of the underlying asset.

Accrued Liabilities and Long-term Obligations:

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

Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employee Retirement System (NDPERS) and Teachers' Fund for Retirement (TFFR) and additions to/deductions from NDPERS and TFFR's fiduciary net position have been determined on the same basis as they are reported by NDPERS and 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.

Other Post-Employment Benefits (OPEB):

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balance Classifications:

In the fund financial statements, governmental funds report fund balance in the classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable – Consists of amounts that are not in spendable form, such as inventory and prepaid items.

Restricted – Consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provision and administered by the North Dakota Department of Public Inspection.

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 and superintendent have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

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

When both restricted and unrestricted resources are available for use, the District's preference is to first use restricted resources, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

The District will strive to maintain a minimum unassigned general fund balance of not less than 10 percent and not more than 25 percent of the annual budget.

Deferred Outflows/Inflows of Resources:

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

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

Net Position:

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

Inter-fund Activity:

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

Estimates:

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Revenue Recognition - Property Taxes:

Taxes receivable consist of current and delinquent uncollected taxes on June 30, 2023.

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

Property tax revenue in the governmental funds is recognized in compliance with National Council of Government Accounting (NCGA) Interpretation 3, *Revenue Recognition - Property Taxes*. This interpretation states that property tax revenue is recorded when it becomes available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Property tax revenue is recorded as revenue in the year the tax is levied in the government-wide financial statements. Property taxes are limited by state laws. All School District tax levies are in compliance with state laws. The allowance for uncollectible taxes is $2,667.

Significant Group Concentrations of Credit Risk:

As of June 30, 2023, the District's receivables consist of amounts due from other governmental units within the State of North Dakota.

NOTE 3 CASH AND INVESTMENTS

Custodial Credit Risk – 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 percent of the deposits not covered by insurance or bonds.

Authorized collateral includes the legal investments described below, as well as certain first mortgage notes, and certain other state or local government obligations. North Dakota laws require that securities pledged as collateral be held in safekeeping by the District treasurer or in a financial institution other than that furnishing the collateral.

At June 30, 2023, the carrying amount of the District's deposits was $8,249,781 and the bank balance was $9,234,568. The entire bank balance was covered by Federal Depository Insurance or by collateral held by the District's Agent in the District's name in amounts sufficient to meet North Dakota legal requirements.

NOTE 4 CAPITAL ASSETS

The following is a summary of changes in general fixed assets account group during the year:

	Balance 7/1/2022	Additions	Disposals	Transfers	Balance 6/30/2023
Governmental Activities:					
Capital Assets Not Being Depreciated					
Land	$ 396,326	$ -	$ -	$ -	$ 396,326
Construction in Progress	720,325	237,693	-	(720,325)	237,693
Total	1,116,651	237,693	-	(720,325)	634,019
Capital Assets Being Depreciated					
Land Improvements	1,670,900	1,574,019	-	671,170	3,916,089
Buildings	29,280,489	551,049	-	49,155	29,880,693
Equipment	4,656,086	255,623	64,000	-	4,847,709
Vehicles	1,058,826	-	11,500	-	1,047,326
Total	36,666,301	2,380,691	75,500	720,325	39,691,817
Less Accumulated Depreciation					
Land Improvements	536,269	132,218	-	-	668,487
Buildings	7,765,621	619,813	-	-	8,385,434
Equipment	2,992,356	295,041	4,622	-	3,282,775
Vehicles	637,800	77,325	11,069	-	704,056
Total	11,932,046	1,124,397	15,691	-	13,040,752
Net Capital Assets Being Depreciated	24,734,255	1,256,294	59,809	720,325	26,651,065
Net Capital Assets for Governmental Activities	$25,850,906	$1,493,987	$ 59,809	$ -	$27,285,084

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

Elementary and Secondary Regular Instruction	$1,042,929
Food Service	3,989
Transportation	77,479
Total	$1,124,397

NOTE 5 LONG-TERM DEBT

The School District issued bonds to provide funding for the construction of additions and improvements to existing facilities. Long-term debt obligations outstanding at year-end and changes in long-term debt are summarized as follows:

	Balance 7/1/2022	Additions	Retirements	Balance 6/30/2023	Due in One Year
General Obligation State School Construction Fund Bonds of 2010	$ 600,000	$ -	$ -	$ 600,000	$ -
Grafton Educational Foundation Lease Revenue Bonds of 2013	2,525,000	-	(190,000)	2,335,000	195,000
State School Construction Fund Bonds of 2014	8,419,965	-	(724,315)	7,695,650	735,769
Leases	158,692	-	(39,501)	119,191	40,190
Premium on Bonds Payable	27,879	-	(2,534)	25,345	2,534
Early Retirement	101,414	-	(85,671)	15,743	15,743
Net OPEB Liability	59,149	85,241	(14,144)	130,246	-
Net Pension Liability	7,654,994	6,274,504	(1,488,159)	12,441,339	-
Total	$ 19,547,093	$ 6,359,745	$(2,544,324)	$ 23,362,514	$ 989,236

Grafton Educational Foundation Inc. Lease Revenue Bonds of 2013 were issued at $3,995,000 that mature on November 1, 2033. These revenue bonds will have an interest rate ranging from 2% to 4.5%.

State School Construction Fund Bonds of 2014 were issued at $14,000,000 that mature on June 1, 2033. These construction bonds have an interest rate of 1%.

The 2010 Bonds are considered Qualified School Construction Bonds that the District will get reimbursed for the interest charges. The Bonds will not be paid until they expire in 2025, at which time they will be paid in full. To ensure that sufficient money will be available to pay the Bonds at maturity, the District is to set aside $40,000 annually for fifteen years to cover the bond issue amount. This is included in the Sinking and Interest Fund #12 restricted fund balance. As of June 30, 2023, the entire $600,000 has been transferred.

Interest expense was $225,658 for the year ended June 30, 2023.

The early retirement obligation will be liquidated through the general fund.

Annual debt service requirements to maturity for the long-term debt are as follows:

General Obligation State School Construction Bonds of 2014

Year	Principal	Interest	Total
2024	$ 735,769	$ 76,956	$ 812,725
2025	743,126	69,599	812,725
2026	750,557	62,168	812,725
2027	758,063	54,662	812,725
2028	765,644	47,081	812,725
2029-2033	3,942,491	119,018	4,061,509
Total	$ 7,695,650	$ 429,484	$ 8,125,134

Lease Revenue Bonds of 2013

Year	Principal	Interest	Total
2024	$ 195,000	$ 94,210	$ 289,210
2025	200,000	86,310	286,310
2026	210,000	78,110	288,110
2027	220,000	69,510	289,510
2028	225,000	60,497	285,497
2029-2033	1,285,000	147,256	1,432,256
Total	$ 2,335,000	$ 535,893	$ 2,870,893

The District will receive an interest subsidy each year to offset the $33,000 of annual interest on the $600,000 School Construction Bonds of 2010. See below:

General Obligation State School Construction Bonds of 2010

Year	Interest Expense	Interest Subsidies	Net Interest Payment
2024	$ 33,000	$ (33,000)	$ -
2025	33,000	(33,000)	-
2026	33,000	(33,000)	-
Total	$ 99,000	$ (99,000)	$ -

NOTE 6 LEASES

The District leases copy machines at its school location in Grafton, North Dakota. The term of the lease is for a period of 72 months, commencing in June 2021 and terminating June 2026, with a monthly payment of $3,495.

Following is the total lease expense for the year ended June 30, 2023:

Lease expense	Year Ended 6/30/2023
Amortization expense by class of underlying asset	
Equipment	$ 32,967
Total amortization expense	32,967
Interest on lease liabilities	2,376
Variable lease expense	-
Total	$ 35,343

Following is a schedule of activity of leased assets and lease liabilities for the year ended June 30, 2023:

Lease Assets	Beginning of Year	Additions	Modifications & Remeasurements	Subtractions	End of Year	Amounts Due Within One Year
Equipment	$ 197,802	$ -	$ -	$ -	$ 197,802	
	197,802	-	-	-	197,802	
Less: Accumulated Amortization						
Equipment	(32,967)	(32,967)		-	(65,934)	
	(32,967)	(32,967)	-	-	(65,934)	
Total Lease Assets, net	$ 164,835	$ (32,967)	$ -	$ -	$ 131,868	
Lease Liabilities	$ 158,692	$ -	$ -	$ (39,501)	$ 119,191	$ 40,190

Following is a schedule by years of future minimum payments required under the lease:

Year Ending June 30,	Principal	Interest	Total Payments
2024	$ 40,190	$ 1,744	$ 41,934
2025	40,891	1,043	41,934
2026	38,110	330	38,440
Total Future Payments	$119,191	$ 3,117	$122,308

NOTE 7 SBITA'S

The District entered into subscription-based information technology arrangements (SBITA) with Houghton Mifflin Harcourt, McGraw Hill, Committee For Children, and School Specialty for the usage of curriculum. The SBITA contract commencements range from July 2018 to September 2022 and terminations range from June 2024 to July 2030. Contracts were paid in full upfront and therefore no liabilities are set up at year end.

The District entered into subscription-based information technology arrangements (SBITA) with Network Center for the usage of security cameras. The SBITA contract commencements range from February 2020 to February 2023 and terminations range from August 2024 to September 2026. Contracts were paid in full upfront and therefore no liabilities are set up at year end.

Following is a schedule of activity of SBITA assets for the year ended June 30, 2023:

SBITA Assets	Beginning of Year	Additions	Modifications & Remeasurements	Subtractions	End of Year
Curriculum	$ 126,710	$ 53,396	$ -	$ -	$ 180,106
Security System	50,155	9,949			60,104
	176,865	63,345	-	-	240,210
Less: Accumulated Amortization					
Curriculum	-	(50,695)		-	(50,695)
Security System		(17,765)			(17,765)
	-	(68,460)	-	-	(68,460)
Total SBITA Assets, net	$ 176,865	$ (5,115)	-	-	$ 171,750

NOTE 8 CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

The District implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. As a result, beginning net position has been restated to reflect the SBITA balance of $176,865, resulting in an increase in net position.

Net Position July 1, 2022 as Previously Reported	$ 12,292,690
Adjustment for GASB Statement No. 96 - SBITA	176,865
Net Position July 1, 2022 as Restated	$ 12,469,555

NOTE 9 FUND BALANCES

A. CLASSIFICATIONS

At June 30, 2023, a summary of the governmental fund balance classifications are as follows:

	General Fund	Building Fund	Sinking & Int. #9	Sinking & Int. #12	Non Major Funds	Total
Non-spendable	$ 61,979	$ -	$ -	$ -	$ -	$ 61,979
Restricted for:						
Debt Service	-	-	81,113	599,999	-	681,112
Building	-	3,344,943	-	-	-	3,344,943
Student Activities	329,104		-	-	-	329,104
Scholarships	-	-	-	-	110,016	110,016
Assigned to:						
Food Service	-	-	-	-	130,230	130,230
Committed to:						
Special Reserve	-	-	-	-	230,475	230,475
Unassigned	3,816,669	-	-	-	-	3,816,669
	$ 4,207,752	$ 3,344,943	$ 81,113	$ 599,999	$ 470,721	$ 8,704,528

Restricted fund balances reflect resources restricted for statutorily defined purposes not accounted for in a separate fund. At June 30, 2023, there were the following accounts:

<u>Restricted for Debt Service:</u>
This account represents funds held by the School District available to service long-term debt.

Restricted for Building:
This account represents funds held by the School District available to provide future capital outlay.

Restricted for Student Activities:
This account represents funds earned for the purpose of student activities.

Restricted for Scholarships:
This account represents funds donated to the School District for the purpose of student scholarships.

Committed fund balances reflect resources that can be used only for the specific purposes determined by a formal action of the School District's Board of Education. At June 30, 2023, there were the following accounts:

Committed for Special Reserve:
This account represents funds, which can be used whenever collections from taxes levied for the current budget are insufficient to meet the requirements of such budget.

Assigned fund balances reflect internally imposed constraints. These constraints reflect the specific purpose for which it is the District's intended use. These constraints are established by the School Board and/or management. Pursuant to board resolution, the District's superintendent and fiscal officer are authorized to establish assignments of fund balance.

Assigned for Food Service:
This account represents funds received within the food service fund that are assigned for that purpose.

NOTE 10 DEFINED BENEFIT PENSION PLANS – STATEWIDE

Substantially, all employees of the District are required by state law to belong to pension plans administered by Teacher's Fund for Retirement (TFFR) or the North Dakota Public Employee Retirement System (NDPERS), both of which are administered on a statewide basis.

Disclosures relating to these plans follow:

North Dakota Teacher's Fund For Retirement

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

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

Responsibility for administration of the TFFR benefits program is assigned to a seven-member Board of Trustees (Board). The Board consists of the State Treasurer, the Superintendent of Public Instruction, and five members appointed by the Governor. The appointed members serve five-year terms which end on June 30 of alternate years. The appointed Board members must include two active teachers, one active school administrator, and two retired members. The TFFR

Board submits any necessary or desirable changes in statutes relating to the administration of the fund, including benefit terms, to the Legislative Assembly for consideration. The Legislative Assembly has final authority for changes to benefit terms and contribution rates.

Pension Benefits

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

Tier 1 Grandfathered

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

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Tier 1 Non-grandfathered

A Tier 1 non-grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65 or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Tier 2

A Tier 2 member is entitled to receive unreduced benefits when five or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65 or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the five highest annual salaries earned divided by 60 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

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

At June 30, 2023, the District reported a liability of $8,797,967 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2022, the Employer's proportion was 0.604234 percent which was a decrease of 0.002780 from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Employer recognized pension expense of $1,559,725. At June 30, 2023, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 37,914	$ 234,901
Changes in actuarial assumptions	178,898	-
Difference between projected and actual investment earnings	658,980	-
Changes in proportion	103,840	440,446
Contributions paid to TFFR subsequent to the measurement date	585,417	-
Total	$ 1,565,049	$ 675,347

$585,417 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024.

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 ending June 30:	Pension Expense Amount
2024	$ (44,418)
2025	(66,970)
2026	(109,122)
2027	511,021
2028	12,469
Thereafter	1,305

Actuarial Assumptions

The total pension liability in the July 1, 2022 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
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, 2022, 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.

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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the TFFR target asset allocation as of June 30, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	55.00%	6.61%
Global Fixed Income	26.00%	0.35%
Global Real Assets	18.00%	4.60%
Cash Equivalents	1.00%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2022. 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 01, 2022, 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 TFFR's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on TFFR investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2022.

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

The following presents the net pension liability of the TFFR employer calculated using the discount rate of 7.25 percent as of June 30, 2022, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	6.25%	7.25%	8.25%
School's proportionate share of the TFFR net pension liability:	$ 12,087,600	$ 8,797,967	$ 6,069,631

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/annualreport2022.pdf

North Dakota Public Employees' Retirement System

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service. The Main Plan will be closed to new employees with the passage of House Bill 1040. The effective date is dependent upon NDPERS implementing the changes to set up a new defined contribution (DC) plan. If the DC plan is set up by December 31, 2023, then the effective date of the Main Plan closure will be January 1, 2024. If the changes cannot be accomplished by then, the effective date will be January 1, 2025.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of $100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition of disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation. Employer contribution rates increase by 1% beginning January 1, 2024.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is $25 and the maximum may not exceed the following:

1 to 12 months of service – Greater of one percent of monthly salary or $25
13 to 24 months of service – Greater of two percent of monthly salary or $25
25 to 36 months of service – Greater of three percent of monthly salary or $25
Longer than 36 months of service – Greater of four percent of monthly salary or $25

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

At June 30, 2023, the District reported a liability of $3,643,371 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2022, the District's proportion was 0.126503 percent which was an increase of 0.005697 from its proportion measured July 1, 2021.

For the year ended June 30, 2023, the District recognized pension expense of $412,056. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 19,005	$ 69,595
Changes in actuarial assumptions	2,178,789	1,350,729
Difference between projected and actual investment earnings	133,347	-
Changes in proportion	80,739	138,017
Contributions paid to NDPERS subsequent to the measurement date	115,233	-
Total	$ 2,527,113	$ 1,558,341

$115,233 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024.

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 ending June 30:	Pension Expense Amount
2024	$ 209,628
2025	280,922
2026	13,158
2027	349,831

Actuarial Assumptions

The total pension liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	5.10%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30.00%	5.75%
International Equity	21.00%	6.45%
Private Equity	7.00%	9.20%
Domestic Fixed Income	23.00%	0.34%
Global Real Assets	19.00%	4.35%

Discount Rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.69%; and the resulting Single Discount Rate is 5.10%.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 5.10 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.10 percent) or 1-percentage-point higher (6.10 percent) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	4.10%	5.10%	6.10%
School's proportionate share of the NDPERS net pension liability:	$ 4,808,999	$ 3,643,371	$ 2,686,430

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

NOTE 11 DEFINED BENEFIT OPEB PLAN

Defined Benefit OPEB Plan

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019, the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. The benefits are equal to $5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2023, the District reported a liability of $130,246 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2022, the District's proportion was 0.108510 percent which was an increase of 0.002175 percent from its proportion measured as of July 1, 2021.

For the year ended June 30, 2023, the District recognized OPEB expense of $17,106. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,088	$ 1,120
Changes of assumptions	32,807	-
Net difference between projected and actual earnings on OPEB plan investments	17,537	-
Changes in proportion and differences between employer contributions and proportionate share of contribution	720	13,231
District contributions subsequent to the measurement date	12,687	-
Total	$ 66,839	$ 14,351

$12,687 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024.

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

Year ending June 30:	OPEB Expense
2024	$ 9,080
2025	8,266
2026	8,185
2027	14,270

Actuarial Assumptions

The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	5.75%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC 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. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Broad US Equities	39.00%	5.75%
International Equities	26.00%	6.00%
Core-Plus Fixed Income	35.00%	0.22%

Discount rate. The discount rate used to measure the total OPEB liability was 5.39%. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the Plans as of June 30, 2022, calculated using the discount rate of 5.39 percent, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.39 percent) or 1-percentage-point higher (6.39 percent) than the current rate:

	1% Decrease in Discount Rate 4.39%	Discount Rate 5.39%	1% Increase in Discount Rate 6.39%
District's proportionate share of the net OPEB liability	$ 166,251	$ 130,246	$ 100,020

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPEB financial report.

NOTE 12 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.

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The District pays an annual premium to NDIRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses on one million dollars per occurrence.

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the District with blanket fidelity bond coverage in the amount of $2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The District participates in the North Dakota Worker's Compensation Bureau and purchases commercial insurance for employee health and accident insurance.

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

NOTE 13 CONTINGENT LIABILITIES

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2023, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 14 NON-MONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its hot lunch program. The market value of commodities received for the year ended June 30, 2023 was $46,664.

NOTE 15 COMMITMENTS

Construction Commitments

The Grafton Public School District entered into a contract to rebuild the parking lot. As of June 30, 2023, the remaining portion of the contract is $1,797,063.

Rental Commitments

The Grafton Public School District is renting the Centennial Center from the Grafton Parks and Recreation District for the amount of $27,520 for the 2023-2024 season.

NOTE 16 RENT OF VOCATIONAL BUILDING

The District rents a building on an annual basis to the North Valley Career and Technical Center. During the year ended June 30, 2023, the District received payments totaling $35,000 from the Center. The rent for the 2023-2024 school year has been set at $35,000. The lease agreement calls for the District to ensure the building and for North Valley Career and Technical Center to pay for any structural repairs or improvements. The Center pays all other operating costs including utilities and insurance on contents.

NOTE 17 VOCATIONAL PROGRAM COSTS

The District is the largest participant in the North Valley Career and Technical Center. For the year ended June 30, 2023, the District's share of the Center's budget was $218,298. The District's share of the Center's budget for the 2023-2024 school year is expected to be approximately $250,196.

NOTE 18 SPECIAL EDUCATION PROGRAM COSTS

The District is the largest participant in the Upper Valley Special Education Cooperative. For the year ended June 30, 2023, the District's share of the Cooperative's budget was $1,022,161. The District's share of the Cooperative's budget for the 2023-2024 school year is expected to be approximately $1,112,614.

NOTE 19 TRANSFERS

The transfers as of June 30, 2023 consist of the following:

Transfers In	Transfers Out	Amount
General Fund	Sinking and Interest Fund #12	$ 6,506
Sinking and Interest Fund #9	Building Fund	175,000
Sinking and Interest Fund #9	General Fund	121,505
Building Fund	General Fund	1,600,000
		$ 1,903,011

Transfers from the building fund and general fund to the sinking and interest fund #9 were to make debt payments. The transfer from the general fund to the building fund was related to construction costs.

NOTE 20 EARLY RETIREMENT

The District has adopted an early retirement policy for teachers who are eligible to retire based on TFFR rules, who have completed fifteen years of total employment at the District and who have worked for the District for the five years immediately preceding the application for retirement. Teachers who choose to retire can receive a retirement payment made in equal payments over a period of two to three years. A teacher's payment is based on the individual's current contract at the time of application based on a starting reduction factor of 80%. If the individual applies for early retirement after their first year of eligibility, they will receive a reduced incentive amount. See Note 5.

NOTE 21 INTERFUND BALANCES

The District has the following interfund receivables and payables as of June 30, 2023:

	Interfund Receivable	Interfund Payable
General Fund	$ 12,991	$ -
Food Service Fund	-	12,991
	$ 12,991	$ 12,991

Interfund balances consist of expenditures paid on behalf of other funds as of June 30, 2023.

NOTE 22 NEW PRONOUNCEMENTS

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

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

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

The requirements of this statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to 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 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 entity’s financial statements.

NOTE 23 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District’s year end. Subsequent events have been evaluated through September 18, 2023, which is the date these financial statements were available to be issued.

GRAFTON PUBLIC SCHOOL DISTRICT NO. 18
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		
	Original and Final	Actual	Over (Under) Final Budget
REVENUES			
Local Property Tax Levies	$ 1,693,988	$ 1,771,662	$ 77,674
Other Local & County Revenues	281,000	771,011	490,011
Revenue From State Sources	9,646,000	9,714,400	68,400
Revenue From Federal Sources	2,480,700	2,951,457	470,757
Interest	25,000	103,585	78,585
TOTAL REVENUES	14,126,688	15,312,115	1,185,427
EXPENDITURES			
Business Support Services	316,081	401,305	85,224
Instructional Support Services	678,888	621,132	(57,756)
Administration	882,323	802,014	(80,309)
Operations and Maintenance	1,383,841	1,153,560	(230,281)
Transportation	570,644	457,122	(113,522)
Regular Instruction	7,538,961	5,850,599	(1,688,362)
Special Education	1,817,127	1,714,523	(102,604)
Vocational Education	218,298	218,298	-
Extra-Curricular Activities	722,313	840,934	118,621
Capital Outlay	-	523,531	523,531
Principal Retirement - Leases	-	39,501	(39,501)
Interest and Fiscal Charges on Leases	-	2,433	(2,433)
TOTAL EXPENDITURES	14,128,476	12,624,952	(1,587,392)
Excess (Deficiency) of Revenues Over Expenditures	(1,788)	2,687,163	2,772,819
OTHER FINANCING SOURCES (USES)			
Proceeds From Disposal of Capital Asset	-	3,500	3,500
Transfers Out	(132,385)	(1,721,505)	(1,589,120)
Transfers In	123,870	6,506	(117,364)
TOTAL OTHER FINANCING SOURCES (USES)	(8,515)	(1,711,499)	(1,702,984)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	(10,303)	975,664	985,967
Fund Balances - Beginning	3,232,088	3,232,088	-
Fund Balances - Ending	$ 3,221,785	$ 4,207,752	$ 985,967

See Notes to the Required Supplementary Information

GRAFTON PUBLIC SCHOOL DISTRICT NO. 18
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE TFFR AND NDPERS PENSION PLANS
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

Teachers Fund for Retirement

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2023	$ 585,417	$ (585,417)	$ -	$ 4,591,503	12.75%
2022	606,307	(606,307)	-	4,755,344	12.75%
2021	596,796	(596,796)	-	4,680,753	12.75%
2020	555,825	(555,825)	-	4,359,414	12.75%
2019	558,980	(558,980)	-	4,384,159	12.75%
2018	543,075	(543,075)	-	4,259,415	12.75%
2017	573,532	(573,532)	-	4,498,285	12.75%
2016	570,920	(570,920)	-	4,477,799	12.75%
2015	547,702	(547,702)	-	4,295,908	12.75%

North Dakota Public Employees Retirement System

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2023	$ 115,233	$ (115,233)	$ -	$ 1,561,114	7.38%
2022	106,451	(106,451)	-	1,446,239	7.36%
2021	111,294	(111,294)	-	1,532,562	7.26%
2020	108,147	(108,147)	-	1,517,061	7.13%
2019	109,463	(109,463)	-	1,537,395	7.12%
2018	112,448	(112,448)	-	1,579,324	7.12%
2017	112,670	(112,670)	-	1,582,450	7.12%
2016	103,421	(103,421)	-	1,452,549	7.12%
2015	82,387	(82,387)	-	1,157,124	7.12%

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

See Notes to the Required Supplementary Information

GRAFTON PUBLIC SCHOOL DISTRICT NO. 18
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE NDPERS OPEB PLAN
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

North Dakota Public Employees Retirement System – OPEB

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered - Employee Payroll	Contributions as a Percentage of Covered - Employee Payroll
2023	$ 12,687	$ (12,687)	$ -	$ 1,561,114	0.81%
2022	13,008	(13,008)	-	1,446,239	0.90%
2021	15,296	(15,296)	-	1,532,562	1.00%
2020	17,162	(17,162)	-	1,517,061	1.13%
2019	17,526	(17,526)	-	1,537,395	1.14%
2018	18,004	(18,004)	-	1,579,324	1.14%

The District implemented GASB Statement No. 75 for its fiscal year ended June 30, 2018. Information for prior years is not available.

See Notes to the Required Supplementary Information

GRAFTON PUBLIC SCHOOL DISTRICT NO. 18
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

Teachers Fund for Retirement

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.604234%	$ 8,797,967	$ 4,754,793	185.03%	75.70%
2022	0.607014%	6,395,832	4,678,252	136.71%	75.70%
2021	0.597293%	9,141,583	4,358,209	209.76%	63.40%
2020	0.624944%	8,607,058	4,384,159	196.32%	65.50%
2019	0.626560%	8,351,159	4,259,415	196.06%	65.50%
2018	0.666441%	9,153,737	4,498,285	203.49%	63.20%
2017	0.689184%	10,096,947	4,477,799	225.49%	59.20%
2016	0.698403%	9,134,100	4,295,908	212.62%	62.10%
2015	0.688450%	7,213,735	3,993,377	180.64%	66.60%

North Dakota Public Employees Retirement System

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.126500%	$ 3,643,371	$ 1,446,239	251.92%	54.47%
2022	0.120806%	1,259,162	1,532,562	82.16%	78.26%
2021	0.129787%	4,083,127	1,431,710	285.19%	48.91%
2020	0.133988%	1,570,436	1,393,708	112.68%	71.66%
2019	0.140581%	2,372,458	1,444,213	164.27%	63.53%
2018	0.162240%	2,607,681	1,698,443	153.53%	61.98%
2017	0.159850%	1,557,884	1,610,902	96.71%	70.46%
2016	0.129890%	883,203	1,157,124	76.33%	77.15%
2015	0.120960%	767,734	1,018,899	75.35%	77.70%

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

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

See Notes to the Required Supplementary Information

GRAFTON PUBLIC SCHOOL DISTRICT NO. 18
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

North Dakota Public Employees Retirement System – OPEB

For the Fiscal Year Ended June 30	District's proportion of the net OPEB liability (asset)	District's proportionate share of the net OPEB liability (asset)	District's covered - employee payroll	District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2023	0.1085%	$ 130,246	$ 1,446,239	9.01%	56.28%
2022	0.1063%	59,148	1,532,562	3.86%	76.63%
2021	0.1217%	102,390	1,387,565	7.38%	63.38%
2020	0.1249%	100,318	1,393,708	7.20%	63.13%
2019	0.1320%	103,948	1,444,213	7.20%	61.89%
2018	0.1531%	121,096	1,656,188	7.31%	59.78%

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

The District implemented GASB Statement No. 75 for its fiscal year ended June 30, 2018. Information for prior years is not available.

See Notes to the Required Supplementary Information

NOTE 1– BUDGETARY COMPARISON

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 at the September board meeting to ensure it is adopted before the fifteenth of October each year. The budget is then filed with the county auditor by October tenth 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 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 back to each respective fund and is available for future appropriation.

NOTE 2 – CHANGES OF BENEFIT TERMS AND ASSUMPTIONS

TFFR

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 healthy mortality table was updated to 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019;
- The disabled mortality was updated to the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019; and
- The pre-retirement mortality table was updated to the PubT-2010 Employee table projected with generational improvement using Scale MP-2019.

Amounts reported in 2016-2020 reflect 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.

NDPERS

Changes of assumptions.

The investment return assumption was updated from 7.00% to 6.50% beginning with the actuarial valuation as of July 1, 2022. All other actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020.

Changes of benefit terms.

The interest rate earned on member contributions will decrease from 6.50 percent to 6.00 percent effective January 1, 2023 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

OPEB

Changes of assumptions

The investment return assumption was updated from 6.50% to 5.75% beginning with the actuarial valuation as of July 1, 2022. All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2021.

Changes of benefit terms

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

GRAFTON PUBLIC SCHOOL DISTRICT NO. 18
COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023

	Special Reserve	Scholarship	Food Service Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash	$ 230,266	$ 110,016	$ 138,749	$ 479,031
Property Taxes Receivable (Net)	3,199	-	-	3,199
Due from State	-	-	10,030	10,030
Due from Other	-	-	14	14
TOTAL ASSETS	$ 233,465	$ 110,016	$ 148,793	$ 492,274
LIABILITIES				
Accounts Payable	$ -	$ -	$ 885	$ 885
Due to Other Funds	-	-	12,991	12,991
Accrued Payroll	-	-	4,687	4,687
TOTAL LIABILITIES	-	-	18,563	18,563
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Delinquent Taxes	2,990	-	-	2,990
TOTAL DEFERRED INFLOWS OF RESOURCES	2,990	-	-	2,990
FUND BALANCES				
Restricted	-	110,016	-	110,016
Committed	230,475	-	-	230,475
Assigned	-	-	130,230	130,230
TOTAL FUND BALANCES	230,475	110,016	130,230	470,721
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 233,465	$ 110,016	$ 148,793	$ 492,274

GRAFTON PUBLIC SCHOOL DISTRICT NO. 18
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Special Reserve	Scholarship	Food Service Funds	Total Nonmajor Governmental Funds
REVENUES				
Local Property Tax Levies	$ 50,591	$ -	$ -	$ 50,591
Other Local and County Revenues	-	35,000	156,302	191,302
Revenue From State Sources	-	-	2,710	2,710
Revenue From Federal Sources	-	-	437,243	437,243
Interest	2,898	1,575	1,936	6,409
TOTAL REVENUES	53,489	36,575	598,191	688,255
EXPENDITURES				
Current:				
Regular Instruction	-	34,375	-	34,375
Food Services	-	-	650,788	650,788
TOTAL EXPENDITURES	-	34,375	650,788	685,163
Excess (Deficiency) of Revenues over Expenditures	53,489	2,200	(52,597)	3,092
Net Change in Fund Balances	53,489	2,200	(52,597)	3,092
Fund Balance - Beginning of Year	176,986	107,816	182,827	467,629
Fund Balance - End of Year	$ 230,475	$ 110,016	$ 130,230	$ 470,721

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
Grafton Public School District No. 18
Grafton, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grafton Public School District No. 18, North Dakota as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 18, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 2023-001 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.*

The District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the 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 result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brady Martz

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

September 18, 2023

BradyMartz

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
Grafton Public School District No. 18
Grafton, North Dakota

Report on Compliance for Each Major Federal Program

Qualified Opinion

We have audited the Grafton Public School District No. 18's compliance with the types of compliance requirements subject to audit in the OMB Compliance Supplement that could have a direct and material effect on Grafton Public School District No. 18's major federal program for the year ended June 30, 2023. Grafton Public School District No. 18's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on Education Stabilization Fund Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, Grafton Public School District No. 18, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Qualified Opinion

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 Grafton Public School District No. 18 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 Grafton Public School District No. 18's compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on Education Stabilization Fund Program

As described in the accompanying schedule of findings and questioned costs, Grafton Public School District No. 18 did not comply with the requirements regarding Assistance Listing No. 84.425 Education Stabilization Fund as described in finding number 2023-002 for Special Tests and Provisions.

Compliance with such requirements is necessary, in our opinion, for Grafton Public School District No. 18 to comply with the requirements applicable to that program.

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 Grafton Public School District No. 18'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 Grafton Public School District No. 18'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 Grafton Public School District No. 18'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 Grafton Public School District No. 18'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 Grafton Public School District No. 18'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 Grafton Public School District No. 18'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.

Other Matters

Government Auditing Standards requires the auditor to perform limited procedures on Grafton Public School District No. 18's response to the noncompliance findings identified in our audit described in the accompanying schedule of finding and questioned costs. Grafton Public School District No. 18's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-002 to be a material weakness.

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.

Government Auditing Standards requires the auditor to perform limited procedures on Grafton Public School District No. 18's response to internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. Grafton Public School District No. 18's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

September 18, 2023

GRAFTON PUBLIC SCHOOL DISTRICT NO. 18
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Award Listing #	Description	Pass-Through Entity Identifying Number	Expenditures
Department of Education			
Passed Through the North Dakota State Department of Public Instruction			
84.010	Chapter 1/TITLE I-Compensatory	F84010	$ 487,334
84.011	Migrant Education - State Grant Program	F84011A	193,605
84.365	Title III - English Language Learners	F84365A	13,746
84.367	Supporting Effective Instruction State Grants	F84367	41,663
84.369	Grants for Assessment and Related Activities	F84369A	3,846
84.371	ND Striving Readers Comprehensive Literacy	F84371C	300,565
84.424	Student Support and Academic Enrichment Program	F84424	53,623
	Total Passed through ND DPI		1,094,382
Passed Through North Valley Career-Tech Center			
84.287	21st Century Community Learning Centers	F84287A	207,127
84.425U	COVID-19 Out of School Time Grant	F84425U	5,114
84.048	Carl Perkins	F84048	4,419
	Total Passed Through North Valley Career-Tech Center		216,660
Passed through North Dakota Department of Public Instruction			
84.425D	COVID-19 Elementary and Secondary School Emergency Relief Fund	F84425D	15,949
84.425U	COVID-19 Elementary and Secondary School Emergency Relief Fund II	F84425U	1,501,333
84.425W	COVID-19 Elementary and Secondary School Emergency Relief Fund III	F84425W	3,133
	Total 84.425 Passed through ND DPI		1,520,415
Passed Through North Dakota Department of Health			
84.425D	COVID-19 Best In Class		120,000
	Total 84.425 Passed Through North Dakota Department of Health		120,000
	Total 84.425		1,640,415
	Total Department of Education		2,951,457
Department of Agriculture			
Passed Through the North Dakota State Department of Public Instruction			
	Child Nutrition Cluster:		
10.553	COVID-19 School Breakfast Program	F10553	61,974
10.555	COVID-19 National School Lunch Program	F10555	245,334
10.555	School/CN Supply Chain Assistance	F10555S	28,692
10.559	COVID-19 Summer Food Service	F10559	14,300
10.555	Food Distribution-Non Cash	F10555	46,664
	Total Cluster		396,964
10.560	SAE Food Nutrition	F10560	2,871
10.649	COVID-19 SNAP State and Local PEBT	F10649	37,408
	Total Department of Agriculture		437,243
	TOTAL		$ 3,388,700

See Notes to the Schedule of Expenditures of Federal Awards

GRAFTON PUBLIC SCHOOL DISTRICT NO. 18
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying 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 Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 2 – INDIRECT COST RATE

Grafton Public School District No. 18 has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 - NONMONETARY TRANSACTIONS

The District receives commodities through the food distribution program and the assistance is valued at the fair value of the commodities received and disbursed.

NOTE 4 - BASIS OF PRESENTATION

The Schedule includes the federal award activity of Grafton Public School District No. 18 under programs of the federal government for the year ended June 30, 2023. 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 Grafton Public School District No. 18, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE 5 - RECONCILIATION OF FEDERAL REVENUES TO THE SCHEDULE OF FEDERAL AWARDS

Federal Revenues Per Page 18	$ 3,419,819
Internal Revenue Service Interest Subsidy on General Obligation School Bonds	(31,119)
Total Schedule of Expenditures of Federal Awards	$ 3,388,700

NOTE 6 - PASS-THROUGH ENTITIES

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

GRAFTON PUBLIC SCHOOL DISTRICT NO. 18
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	_x_ yes	___ no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	___ yes	_x_ none reported
Type of auditor's report issued on compliance for major programs:	Qualified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_x_ yes	___ no

Identification of major programs:

AL Number(s)	Name of Federal Program or Cluster
84.425	Elementary and Secondary School Emergency Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000	
Auditee qualified as low-risk auditee?	___ yes	_x_ no

SECTION II – FINANCIAL STATEMENT FINDINGS

2023-001 Finding

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

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

Repeat Finding
See finding 2022-001

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

Management's Response
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

2023-002 Finding

Assistance Listing Number 84.425 Education Stabilization Fund
Department of Education
North Dakota Department of Public Instruction
Special Tests and Provisions
2 CFR Part 200.326
F84425U
2023 Grant Year

Criteria
For construction contracts and subcontracts greater than $2,000, the District should verify prevailing wage rate clauses were included in the contract or subcontract and for each week in which work was performed under the contract or subcontract the District should monitor certified payroll registers to ensure contractors and subcontractors were paying employees the prevailing wage rates.

Condition
The District did not provide wage rate clauses to contractors. In addition, the District did not obtain from contractors the certified payroll registers, nor did they perform testing to ensure contractors were paying the prevailing wage rates.

Cause
The District was unaware of the compliance requirements regarding the construction projects.

Effect
The District is not in compliance with Wage Rate Requirements, a part of the Special Tests and Provisions.

Questioned Costs
Undeterminable.

Repeat Finding
See finding 2022-002

Recommendation
We recommend the District to review the wage rate compliance requirements as part of the special tests and provisions of this program in the compliance supplement and to create and implement a process of submitting prevailing wage rates to contractors as well as obtaining the certified payroll registers to determine if contractors are in compliance.

Management's Response
The District will plan to get payroll registers monthly from contractors moving forward. This will be monitored by the Superintendent and Head of Facilities.

GRAFTON PUBLIC SCHOOL DISTRICT NO. 18
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

2022-001 Finding

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

Condition
The District's personnel prepare periodic financial information for internal use that meets the needs of management and the board. However, the District currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The District has elected to have the auditors assist in the preparation of the financial statements and 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 District should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Management's Response
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.

Corrective Action Taken
None. See current year finding 2023-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2022-002 Finding

Assistance Listing Number 84.425 Education Stabilization Fund
Department of Education
North Dakota Department of Public Instruction
Special Tests and Provisions
2 CFR Part 200.326

Criteria
For construction contracts and subcontracts greater than $2,000, the District should verify prevailing wage rate clauses were included in the contract or subcontract and for each week in which work was performed under the contract or subcontract the District should monitor certified payroll registers to ensure contractors and subcontractors were paying employees the prevailing wage rates.

Condition
The District did not provide wage rate clauses to contractors. In addition, the District did not obtain from contractors the certified payroll registers, nor did they perform testing to ensure contractors were paying the prevailing wage rates.

Cause
The District was unaware of the compliance requirements regarding the construction projects.

Effect
The District is not in compliance with Wage Rate Requirements, a part of the Special Tests and Provisions.

Recommendation
We recommend the District to review the wage rate compliance requirements as part of the special tests and provisions of this program in the compliance supplement and to create and implement a process of submitting prevailing wage rates to contractors as well as obtaining the certified payroll registers to determine if contractors are in compliance.

Corrective Action Taken
None. See current year finding 2023-002

GRAFTON PUBLIC SCHOOLS
Inspiring Excellence Building Character

Superintendent
Darren Albrecht
1548 School Road
701-352-1930
701-352-1943 Fax

Grafton High School
Randy Rice, 7-12
1548 School Road
701-352-1930
701-352-1943 Fax

Century Elementary
Brad Larson, 3-6
830 15 St West
701-352-1930
701-352-1120 Fax

Century Elementary
Jill Olson, PK-2
1542 School Road
701-352-1930
701-352-0163 Fax

Activities Director
Jon Koehmstedt
1548 School Road
701-352-1930
701-352-1943 Fax

CORRECTIVE ACTION PLAN
AS OF JUNE 30, 2023

2023-001

Contact Person
Cathi Heuchert

Planned Corrective Action
The District will implement when it becomes cost-effective.

Planned Completion Date
The planned completion date for the CAP is when it becomes cost-effective.

2023-002

Contact Person
Darren Albrecht

Planned Corrective Action
The District will plan to get payroll registers monthly from contractors moving forward.

Planned Completion Date
The planned completion date is June 30, 2024.