

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

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**ROSTER OF SCHOOL OFFICIALS – UNAUDITED**  
**AT JUNE 30, 2023**

Dr. Eric Lunn	President
Amber Flynn	Vice President
Josh Anderson	Board Member
Dave Berger	Board Member
Monte Gaukler	Board Member
Joel Larson	Board Member
Jeff Manley	Board Member
Bill Palmiscno	Board Member
Cynthia Shabb	Board Member
Dr. Terry Brenner	Superintendent
Matt Bakke (Effective July 19, 2023)	Associate Superintendent of Elementary Education
Catherine Gillach	Assistant Superintendent of Secondary Education
Brandon Baumbach	Business Manager

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the 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 Grand Forks Public School District No. 1, Grand Forks, 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 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 Grand Forks Public School District No. 1, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

### ***Other Information***

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2024 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.

A handwritten signature in black ink that reads "Brady Martz". The signature is written in a cursive, flowing style.

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

January 26, 2024



**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

The discussion and analysis of Grand Forks Public School District's financial performance provides an overall review of the District's financial activities for the year ended June 30, 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 by \$3,997,147 as a result of the current year's operations. Of the increase, \$1,911,244 was due to changes within the TFFR pension plan liability and deferred amounts.
- Governmental net position totaled \$8,703,060.
- The District's general fund had \$120,605,578 in total revenues, \$121,596,694 in expenditures and \$2,274,498 in other financing sources. Overall, the general fund balance increased by \$1,283,382 for the year ended June 30, 2023, and now totals \$12,001,895.

**Using this Annual Report**

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

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

**Reporting the School District as a Whole**

**Statement of Net Position and the Statement of Activities**

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District do financially during the year ended June 30, 2023?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, liabilities, and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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

**Reporting the School District's Most Significant Funds**

**Fund Financial Statements**

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

**Governmental Funds**

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

**Financial Analysis of the District as a Whole**

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

The increase in long-term liabilities was largely due to the Issuance of the 2022A Limited Tax School Building Bonds issued for \$13,266,000 and an increase in the net pension liability during the year of \$24,216,751 offset by annual payments of bonds during the year.

The District's net position of \$8,703,060 is segregated into three separate categories. Net investment in capital assets represents \$60,680,042 of the District's entire net position. It should be noted that these resources are not available for future spending. Restricted net position of \$14,000,048 represents amounts that are externally restricted as to their use. The unrestricted net position is available to meet the District's ongoing obligations.

**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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

**Table 1**  
**Net Position**

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Assets			
Current Assets	\$ 36,298,036	\$ 28,507,799	\$ 7,790,237
Non-Current Assets	<u>99,483,800</u>	<u>92,106,364</u>	<u>7,377,436</u>
Total Assets	<u>135,781,836</u>	<u>120,614,163</u>	<u>15,167,673</u>
Deferred Outflows of Resources	<u>16,056,360</u>	<u>9,572,919</u>	<u>6,483,441</u>
Liabilities			
Current Liabilities	4,364,735	3,945,803	418,932
Long-Term Liabilities	<u>131,279,999</u>	<u>94,400,410</u>	<u>36,879,589</u>
Total Liabilities	<u>135,644,734</u>	<u>98,346,213</u>	<u>37,298,521</u>
Deferred Inflows of Resources	<u>7,490,402</u>	<u>27,134,956</u>	<u>(19,644,554)</u>
Net Position			
Net Investment in Capital Assets	60,680,042	68,959,863	(8,279,821)
Restricted	14,000,048	5,952,571	8,047,477
Unrestricted	<u>(65,977,030)</u>	<u>(70,206,521)</u>	<u>4,229,491</u>
Total Net Position	<u>\$ 8,703,060</u>	<u>\$ 4,705,913</u>	<u>\$ 3,997,147</u>

**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2023**

Table 2 shows the changes in net position for the fiscal year ended June 30, 2023.

**Table 2**  
**Changes in Net Position**

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Revenues			
Program Revenues:			
Charges for Services	\$ 7,648,280	\$ 5,995,225	\$ 1,653,055
Operating Grants and Contributions	26,004,084	28,291,932	(2,287,848)
Capital Grants and Contributions	-	123,456	(123,456)
General Revenues:			
Taxes	28,816,031	27,663,195	1,152,836
State Aid	66,615,705	65,925,201	690,504
Gain on Sale of Capital Assets	523,769	611,673	(87,904)
Other	3,287,267	2,433,690	853,577
Total Revenues	<u>132,895,136</u>	<u>131,044,372</u>	<u>1,850,764</u>
Expenses			
Instruction	74,029,650	67,998,202	6,031,448
Support Services:			
Pupil and Instructional Staff Services	17,109,378	13,306,798	3,802,580
Headstart	646,830	456,734	190,096
Special Education	3,169,755	2,458,863	710,892
Career Technical Education	430,415	282,162	148,253
General Administration Services	1,880,699	2,507,282	(626,583)
School Administration Services	6,074,637	6,101,784	(27,147)
Business Services	1,964,901	2,030,805	(65,904)
Operations and Maintenance	10,279,254	10,570,892	(291,638)
Pupil Transportation Services	1,426,546	1,697,826	(271,280)
Extracurricular Activities	5,114,890	4,629,696	485,194
Food Services	4,954,788	4,785,132	169,656
Community Services	819,920	754,393	65,527
Interest on Long-Term Debt	806,590	360,489	446,101
Bond Costs	189,736	2,501	187,235
Total Expenses	<u>128,897,989</u>	<u>117,943,559</u>	<u>10,954,430</u>
Increase (Decrease) in Net Position	<u>3,997,147</u>	<u>13,100,813</u>	<u>(9,103,666)</u>
Net Position - Beginning	<u>4,705,913</u>	<u>(8,394,900)</u>	<u>13,100,813</u>
Net Position - Ending	<u>\$ 8,703,060</u>	<u>\$ 4,705,913</u>	<u>\$ 3,997,147</u>

Property taxes constituted 22%, unrestricted state aid 50%, operating grants and contributions 20%, and charges for services made up 6% of the total revenues of governmental activities of the District for fiscal year 2023. Instruction comprises 57% of District expenses. The increase in instructional expense in the fiscal 2023 year compared to the fiscal 2022 year is predominantly due to increased instructional costs.

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.

**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**Table 3**  
**Cost of Services**

	Total Cost for Year Ended 06/30/23	Net Cost for Year Ended 06/30/23	Total Cost for Year Ended 06/30/22	Net Cost for Year Ended 06/30/22
Instruction	\$ 74,029,650	\$ 47,166,659	\$ 67,998,202	\$ 41,905,317
Support Services:				
Pupil and Instructional Staff Services	17,109,378	17,109,378	13,306,798	13,306,798
Headstart	646,830	646,830	456,734	456,734
Special Education	3,169,755	3,169,755	2,458,863	2,458,863
Career Technical Education	430,415	344,880	282,162	221,997
General Administration Services	1,880,699	1,880,699	2,507,282	2,507,282
School Administration Services	6,074,637	6,074,637	6,101,784	6,101,784
Business Services	1,964,901	1,964,901	2,030,805	2,030,805
Operations and Maintenance	10,279,254	10,276,544	10,570,892	10,444,161
Pupil Transportation Services	1,426,546	693,518	1,697,826	959,023
Extracurricular Activities	5,114,890	4,480,237	4,629,696	3,952,220
Food Services	4,954,788	(378,659)	4,785,132	(1,929,421)
Community Services	819,920	819,920	754,393	754,393
Interest on Long-Term Debt	806,590	806,590	360,489	360,489
Bond Costs	189,736	189,736	2,501	2,501
Total Expenses	<u>\$ 128,897,989</u>	<u>\$ 95,245,625</u>	<u>\$ 117,943,559</u>	<u>\$ 83,532,946</u>

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

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

**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**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 \$132,438,133 and total expenditures of \$138,004,182 for the year ended June 30, 2023. As of June 30, 2023, the unassigned fund balance of the District's governmental funds was \$10,746,948.

**General Fund Budgeting Highlights**

During the course of the 2023 fiscal year, the District did not amend its budget.

The District's final budget for the general fund anticipated the expenditures and other financing uses would exceed revenues and other financing sources by \$472,016; the actual results show revenues and other financing sources would exceed expenditures and other financing uses by \$1,283,382.

- Revenues were more than projections, largely due to an increase of \$660,016 over the budgeted amount for investment income due to greater than anticipated return on the markets.
- The actual expenditures were above the budgeted figure, by \$657,977 in part due to increased extracurricular activities and pupil and instructional staff services expenditures.

The General Fund ended with a fund balance of \$12,001,895 which was \$1,755,398 over the final budgeted amount.

**Capital Assets**

As of June 30, 2023, the District had \$99,483,800 invested in capital assets. Table 4 shows balances as of June 30, 2023 and 2022, respectively. See Note 5 for additional details.

**Table 4**  
**Capital Assets (Net of Depreciation/Amortization)**

	<u>2023</u>	<u>2022</u>
School Sites and Other Lands	\$ 7,297,035	\$ 7,021,556
Buildings and Improvements	75,945,449	77,472,534
Furniture and Equipment	6,570,466	6,063,666
Construction in Progress	8,996,007	577,311
Right to Use Leased Assets	<u>674,843</u>	<u>971,297</u>
Total	<u>\$ 99,483,800</u>	<u>\$ 92,106,364</u>

**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**Debt Administration**

As of June 30, 2023, the District had \$133,536,839 in outstanding debt, with \$2,256,840 due within one year. The District had an overall increase in debt of \$37,114,090 from June 30, 2022 primarily due to the issuance of the 2022A Taxable Limited bonds of \$13,266,000, increase in net pension liability and offset by scheduled payments on bonds during the year. See Note 6 for additional details.

**Table 5**  
**Summary of Outstanding Long-Term Debt**

	<u>2023</u>	<u>2022</u>
Bond and Notes Payable	\$ 37,839,939	\$ 24,282,489
Special Assessments Payable	278,904	102,643
Severance Payable	320,950	873,301
Sick Leave Payable	127,450	127,330
Lease Payable	684,915	969,056
Net Pension Liability	94,284,681	70,067,930
	<u>\$ 133,536,839</u>	<u>\$ 96,422,749</u>

**For the Future:**

Grand Forks Public School District No. 1 will continue to evaluate their financial status based on the demographics and needs of the District. Staffing will be based on current and projected enrollment and resources needed to assist the families. The District has added staff at different levels due to the availability of federal dollars to assist with the costs. There is sustainability in these resources based on the reorganization of the District and the increase in our land base valuation and potential enrollment. COVID dollars have been used to address additional costs related to preventative measures and addressing learning loss throughout the pandemic.

**BUDGET AND TAX LEVY:**

**Fiscal Year 2023-2024**

On October 9, 2023, The Grand Forks School Board gave final approval for the 2023-2024 general fund budget with estimated revenues of \$128,000,990 and estimated expenditures of \$130,462,595. The FY 2024-2023 property tax levy was based on 86 mills for general educational purposes, 20 mills for the building fund, 2 mills for special assessments, 3 mills for the special reserve fund, and 20.68 mills for sinking and interest funds.

**Contacting the District's Financial Management:**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. You may request a copy of this report by contacting Brandon Baumbach, Business Manager, Grand Forks Public School District, P.O. Box 6000, 2400 47th Avenue South, Grand Forks, ND 58201-3405, or email at [bbaumbach020@mygfschools.org](mailto:bbaumbach020@mygfschools.org).



**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

	<b>Governmental Activities</b>
<b>Assets</b>	
Current Assets	
Cash and Cash Equivalents	\$ 19,388,537
Cash with Escrow Agent	3,351,474
Investments	3,278,330
Accounts Receivable	7,931,554
Interest Receivable	603,756
Property Taxes Receivable	1,360,483
Inventory	<u>383,902</u>
Total Current Assets	<u>36,298,036</u>
Non-Current Assets	
Non Depreciable Capital Assets	16,293,042
Capital Assets, Net of Accumulated Depreciation	82,515,915
Right to Use Leased Assets, Net of Amortization	<u>674,843</u>
Total Non-Current Assets	<u>99,483,800</u>
<b>Total Assets</b>	<u><b>135,781,836</b></u>
<b>Deferred Outflows of Resources</b>	
Cost Sharing Defined Benefit Pension Plan - TFFR	<u>16,056,360</u>
<b>Total Deferred Outflows of Resources</b>	<u><b>16,056,360</b></u>
<b>Liabilities</b>	
Current Liabilities	
Accounts Payable and Other Accrued Liabilities	907,579
Accrued Expenses	131,644
Salaries Payable	369,038
Accrued Interest	556,717
Unearned Revenue	142,917
Current Portion of Non-Current Liabilities	<u>2,256,840</u>
Total Current Liabilities	<u><b>4,364,735</b></u>
Non-Current Liabilities	
Sick Leave Payable	127,450
Severance Payable	320,950
Special Assessments Payable	278,904
Lease Payable	684,915
Bonds and Notes Payable, net of related premium	37,839,939
Net Pension Liability	94,284,681
Less Current Portion	<u>(2,256,840)</u>
Total Non-Current Liabilities	<u>131,279,999</u>
<b>Total Liabilities</b>	<u><b>135,644,734</b></u>
<b>Deferred Inflows of Resources</b>	
Cost Sharing Defined Benefit Pension Plan - TFFR	<u>7,490,402</u>
<b>Total Deferred Inflows of Resources</b>	<u><b>7,490,402</b></u>
<b>Net Position</b>	
Net Investment in Capital Assets	60,680,042
Restricted For:	
Building Projects	10,345,283
Special Assessments	1,593,052
Special Reserve Fund	1,044,817
Student Activities	1,016,896
Unrestricted	<u>(65,977,030)</u>
<b>Total Net Position</b>	<u><b>\$ 8,703,060</b></u>

See Notes to the Financial Statements



**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating	Capital	Revenue and
			Grants and Contributions	Grants and Contributions	and Changes
					in Net Position
					Governmental
					Activities
<b>Primary Government</b>					
Governmental Activities:					
Instruction					
Regular	\$ 49,906,383	\$ 4,507,125	\$ 15,569,340	\$ -	\$ (29,829,918)
Special Education	18,945,527	419,352	2,388,927	-	(16,137,248)
Career Technical Education	3,664,506	-	956,047	-	(2,708,459)
Headstart	1,513,234	-	3,022,200	-	1,508,966
<b>Total Instruction</b>	<b>74,029,650</b>	<b>4,926,477</b>	<b>21,936,514</b>	<b>-</b>	<b>(47,166,659)</b>
Support Services:					
Pupil and Instructional Staff Services	17,109,378	-	-	-	(17,109,378)
Headstart	646,830	-	-	-	(646,830)
Special Education	3,169,755	-	-	-	(3,169,755)
Career Technical Education	430,415	-	85,535	-	(344,880)
General Administration Services	1,880,699	-	-	-	(1,880,699)
School Administration Services	6,074,637	-	-	-	(6,074,637)
Business Services	1,964,901	-	-	-	(1,964,901)
Operations and Maintenance	10,279,254	2,710	-	-	(10,276,544)
Pupil Transportation Services	1,426,546	-	733,028	-	(693,518)
Extracurricular Activities	5,114,890	634,653	-	-	(4,480,237)
Food Services	4,954,788	2,084,440	3,249,007	-	378,659
Community Services	819,920	-	-	-	(819,920)
Interest on Long-Term Debt	806,590	-	-	-	(806,590)
Bond Costs	189,736	-	-	-	(189,736)
<b>Total Support Services</b>	<b>54,868,339</b>	<b>2,721,803</b>	<b>4,067,570</b>	<b>-</b>	<b>(48,078,966)</b>
<b>Total Primary Government</b>	<b>\$ 128,897,989</b>	<b>\$ 7,648,280</b>	<b>\$ 26,004,084</b>	<b>\$ -</b>	<b>(95,245,625)</b>
<b>General Revenues</b>					
Taxes					
Property Taxes, Levied for General Purpose					22,447,337
Property Taxes, Levied for Building Fund					5,089,885
Property Taxes, Levied for Special Assessment					512,530
Property Taxes, Levied for Special Reserve					766,279
State Aid Not Restricted for Specific Purposes					
Per Pupil Aid					66,615,705
Sale of CTE Houses					523,769
Interest Income and Other Revenues					3,287,267
<b>Total General Revenues</b>					<b>99,242,772</b>
<b>Change in Net Position</b>					<b>3,997,147</b>
<b>Net Position, Beginning</b>					<b>4,705,913</b>
<b>Net Position, Ending</b>					<b>\$ 8,703,060</b>

See Notes to the Financial Statements

**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**JUNE 30, 2023**

	General Fund	Special Assessment Fund	Food Service Fund	Building Fund	Special Reserve Fund (Nonmajor)	Total Governmental Funds
<b>Assets</b>						
Cash and Cash Equivalents	\$ 2,068,603	\$ 1,568,424	\$ 4,541,180	\$ 6,378,499	\$ 1,007,979	\$ 15,564,685
Cash with Escrow Agent	-	-	-	3,351,474	-	3,351,474
Investments	3,154,827	-	-	26,348	-	3,181,175
Property Taxes Receivable	1,057,320	24,628	-	241,697	36,838	1,360,483
Accounts Receivable	7,568,060	-	363,494	-	-	7,931,554
Interest Receivable	-	-	-	303,533	-	303,533
Inventory	238,051	-	145,851	-	-	383,902
<b>Total Assets</b>	<u>\$ 14,086,861</u>	<u>\$ 1,593,052</u>	<u>\$ 5,050,525</u>	<u>\$ 10,301,551</u>	<u>\$ 1,044,817</u>	<u>\$ 32,076,806</u>
<b>Liabilities</b>						
Accounts Payable	\$ 261,378	\$ -	\$ 59,434	\$ 3,307	\$ -	\$ 324,119
Accrued Liabilities	131,644	-	-	-	-	131,644
Salaries Payable	358,332	-	10,706	-	-	369,038
Severance Payable	320,950	-	-	-	-	320,950
Unearned Revenue	-	-	142,917	-	-	142,917
<b>Total Liabilities</b>	<u>1,072,304</u>	<u>-</u>	<u>213,057</u>	<u>3,307</u>	<u>-</u>	<u>1,288,668</u>
<b>Deferred Inflows of Resources</b>						
Unavailable Revenue - Property Taxes	1,012,662	22,541	-	223,019	33,713	1,291,935
<b>Total Deferred Inflows of Resources</b>	<u>1,012,662</u>	<u>22,541</u>	<u>-</u>	<u>223,019</u>	<u>33,713</u>	<u>1,291,935</u>
<b>Fund Balance</b>						
Non-Spendable	238,051	-	145,851	-	-	383,902
Restricted	1,016,896	1,570,511	-	10,075,225	1,011,104	13,673,736
Assigned	-	-	4,691,617	-	-	4,691,617
Unassigned	10,746,948	-	-	-	-	10,746,948
<b>Total Fund Balance</b>	<u>12,001,895</u>	<u>1,570,511</u>	<u>4,837,468</u>	<u>10,075,225</u>	<u>1,011,104</u>	<u>29,496,203</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 14,086,861</u>	<u>\$ 1,593,052</u>	<u>\$ 5,050,525</u>	<u>\$ 10,301,551</u>	<u>\$ 1,044,817</u>	<u>\$ 32,076,806</u>

See Notes to the Financial Statements

**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE DISTRICT WIDE STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

**Fund balance - governmental funds** \$ 29,496,203

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

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

Cost of Capital Assets	\$	176,890,076	
Less: Accumulated Depreciation		(76,874,024)	
Less: Accumulated Amortization		(532,252)	
Net			99,483,800

Net deferred outflows/(inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows/(inflows) of resources in the governmental funds. 8,565,958

Property taxes receivable will be collected during the year, but are not available soon enough to pay for the current period's expenditures, and, therefore are unavailable in the governmental funds. 1,291,935

The District accounts for its self-funded health insurance plan as an internal service fund. The assets and liabilities of the internal service fund are included with the governmental activities. 3,337,547

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

Bonds Payable	\$	37,133,469	
Premium on Bonds		706,470	
Special Assessments Payable		278,904	
Lease Payable		684,915	
Sick Leave Payable		127,450	
Net Pension Liability		94,284,681	
Total			(133,215,889)

Interest receivable/payable is not due and payable in the current period and, therefore, is not reported as a receivable/liability in the governmental funds. (256,494)

**Net Position - Governmental Activities** **\$ 8,703,060**

See Notes to the Financial Statements

**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<u>General Fund</u>	<u>Special Assessment Fund</u>	<u>Food Service Fund</u>	<u>Building Fund</u>	<u>Special Reserve Fund (Nonmajor)</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>						
Property Taxes	\$ 22,514,102	\$ 512,530	\$ -	\$ 5,089,885	\$ 766,279	\$ 28,882,796
Other Local Sources	2,263,296	-	39,294	185,000	-	2,487,590
Intergovernmental	89,375,056	-	3,244,732	-	-	92,619,788
Charges for Services	5,563,840	-	2,084,440	-	-	7,648,280
Contributions and Donations	23,369	-	-	-	-	23,369
Investment Income (loss)	630,016	-	506	(90,111)	-	540,411
Other Income	235,899	-	-	-	-	235,899
<b>Total Revenues</b>	<u>120,605,578</u>	<u>512,530</u>	<u>5,368,972</u>	<u>5,184,774</u>	<u>766,279</u>	<u>132,438,133</u>
<b>Expenditures</b>						
Current:						
<b>Instruction:</b>						
Pupil and Instructional Staff Services	49,251,112	-	-	-	-	49,251,112
Special Education	18,380,902	-	-	-	-	18,380,902
Career Technical Education	3,560,379	-	-	-	-	3,560,379
Headstart	1,467,929	-	-	-	-	1,467,929
Total Instruction	<u>72,660,322</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,660,322</u>
<b>Support Services:</b>						
Pupil and Instructional Staff Services	14,735,780	-	-	-	-	14,735,780
Headstart	633,379	-	-	-	-	633,379
Special Education	3,097,730	-	-	-	-	3,097,730
Career Technical Education	422,192	-	-	-	-	422,192
General Administrative Services	1,805,295	-	-	998	-	1,806,293
School Administrative Services	5,895,413	-	-	-	-	5,895,413
Business Services	1,905,250	-	-	-	-	1,905,250
Operations and Maintenance	9,348,686	-	-	-	-	9,348,686
Pupil Transportation Services	1,376,547	-	-	-	-	1,376,547
Extracurricular	4,978,365	-	-	-	-	4,978,365
Food Services	19,056	-	4,790,617	-	-	4,809,673
Community Services	797,502	-	-	-	-	797,502
Capital Outlay	3,576,036	21,534	129,132	9,654,566	-	13,381,268
Debt Service:	-	-	-	-	-	-
Principal	318,212	100,000	-	917,290	-	1,335,502
Interest and Other Fees	26,929	11,450	-	592,165	-	630,544
Bond Costs	-	-	-	189,736	-	189,736
Total Support Services	<u>48,936,372</u>	<u>132,984</u>	<u>4,919,749</u>	<u>11,354,755</u>	<u>-</u>	<u>65,343,860</u>
<b>Total Expenditures</b>	<u>121,596,694</u>	<u>132,984</u>	<u>4,919,749</u>	<u>11,354,755</u>	<u>-</u>	<u>138,004,182</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(991,116)</u>	<u>379,546</u>	<u>449,223</u>	<u>(6,169,981)</u>	<u>766,279</u>	<u>(5,566,049)</u>
<b>Other Financing Sources (Uses)</b>						
Proceeds from Long Term Debt	736,500	-	-	13,266,000	-	14,002,500
Proceeds from Premium on Long Term Debt	-	-	-	634,751	-	634,751
Sale of CTE House	523,769	-	-	-	-	523,769
Transfers In	1,014,229	-	-	-	-	1,014,229
Transfers Out	-	-	-	-	(1,014,229)	(1,014,229)
<b>Total Other Financing Sources (Uses)</b>	<u>2,274,498</u>	<u>-</u>	<u>-</u>	<u>13,900,751</u>	<u>(1,014,229)</u>	<u>15,161,020</u>
<b>Net Change in Fund Balances</b>	<u>1,283,382</u>	<u>379,546</u>	<u>449,223</u>	<u>7,730,770</u>	<u>(247,950)</u>	<u>9,594,971</u>
<b>Fund Balances, Beginning of Year</b>	<u>10,718,513</u>	<u>1,190,965</u>	<u>4,388,245</u>	<u>2,344,455</u>	<u>1,259,054</u>	<u>19,901,232</u>
<b>Fund Balances, End of Year</b>	<u>\$ 12,001,895</u>	<u>\$ 1,570,511</u>	<u>\$ 4,837,468</u>	<u>\$ 10,075,225</u>	<u>\$ 1,011,104</u>	<u>\$ 29,496,203</u>

See Notes to the Financial Statements

**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE TO THE DISTRICT WIDE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2023**

Total net changes in fund balances - Governmental Funds	\$	9,594,971
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Amounts reported for Governmental Activities in the Statement of Activities are different because:

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

Capital Outlay	\$ 11,190,107	
Depreciation Expense	(3,516,217)	
Amortization expense	<u>(296,454)</u>	
Difference		7,377,436

The issuance of long-term debt provides current financial resources to the governmental funds, but the issuance of long-term debt increases the liabilities in the statement of net position.	(14,637,251)
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The repayment of long-term debt is reported as an expenditure in the governmental funds. However, the repayment reduces long-term liabilities in the statement of net position.	1,322,348
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Amortization of premium on bond	41,594
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Changes in deferred outflows and inflows of resources related to the net pension liability	26,127,995
--	------------

Change in net pension liability	(24,216,751)
---------------------------------	--------------

Some revenues will not be collected for several months after the District's fiscal year end. These revenues are not considered "available" revenues in the governmental funds. These consist of: Unavailable property taxes	(66,765)
--	----------

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(223,838)
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These activities consist of: Sick Leave Long-Term Severance Special Assessments	(120) 306,003 (176,261)
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An internal service fund is used by the District to account for its self-funded health insurance plan. The net income of the internal service fund is reported with the governmental activities.	<u>(1,452,214)</u>
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Change in Net Position - Governmental Activities	\$	<u>3,997,147</u>
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See Notes to the Financial Statements

**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**STATEMENT OF NET POSITION – PROPRIETARY FUNDS**  
**JUNE 30, 2023**

	<b><u>Governmental Activities</u></b>
	<b><u>Internal Service Funds</u></b>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 3,823,852
Investments	97,155
<b>Total Assets</b>	<u>3,921,007</u>
<b>Liabilities</b>	
Accounts Payable and Accrued Liabilities	<u>583,460</u>
<b>Total Liabilities</b>	<u>583,460</u>
<b>Net Position</b>	
Unrestricted	<u>3,337,547</u>
<b>Total Net Position</b>	<u>\$ 3,337,547</u>

See Notes to the Financial Statements

**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**STATEMENT REVENUES, EXPENDITURES AND CHANGES IN NET POSITION –**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<b>Governmental Activities</b>
	<b>Internal Service Funds</b>
<b>Revenues</b>	
Insurance Contributions	\$ 10,565,976
<b>Total Revenues</b>	<u>10,565,976</u>
<b>Expenses</b>	
Health Claims Paid	10,152,231
Insurance Premiums Paid and Administrative Charges	<u>1,871,018</u>
<b>Total Expenses</b>	<u>12,023,249</u>
<b>Operating Income (Loss)</b>	<u>(1,457,273)</u>
<b>Non-Operating Revenues (Expenses)</b>	
Interest Income (loss)	<u>5,059</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<u>5,059</u>
<b>Change in Net Position</b>	(1,452,214)
<b>Total Net Position, Beginning of Year</b>	<u>4,789,761</u>
<b>Total Net Position, End of Year</b>	<u><u>\$ 3,337,547</u></u>

See Notes to the Financial Statements

**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<b><u>Governmental Activities</u></b>
	<b><u>Internal Service Funds</u></b>
<b>Cash Flow From Operating Activities:</b>	
Cash Received from Charges to Other Funds	\$ 10,566,552
Cash Paid to Insurance Claims by Operating Activities	<u>(12,126,948)</u>
Net Cash Provided (Used) by Operating Activities	<u>(1,560,396)</u>
 <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	 (1,560,396)
 <b>Cash and Cash Equivalents - Beginning of Year</b>	 <u>5,384,248</u>
 <b>Cash and Cash Equivalents - End of Year</b>	 <u><u>\$ 3,823,852</u></u>
 <b>Reconciliation of Operating Income to Net Cash Provided</b>	
<b>(Used) By Operating Activities:</b>	
Operating Income (Loss)	\$ (1,457,273)
Adjustments to Reconcile Operating Income to	
Net Cash Provided (Used) by Operating Activities:	
Changes in Assets:	
Accounts Receivable	576
Changes in Liabilities:	
Accounts Payable and Accrued Liabilities	<u>(103,699)</u>
 Net Cash Provided (Used) by Operating Activities	 <u><u>\$ (1,560,396)</u></u>

See Notes to the Financial Statements



**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

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

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

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

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Basis of Presentation**

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

**Government-wide Financial Statements**

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

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

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

**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

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

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

**Fund Financial Statements**

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

**Fund Accounting**

The District's funds consist of the following:

**Governmental Funds**

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

**General Fund**

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

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

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

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

**Building Fund**

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

**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

**Proprietary Funds**

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

**Internal Service Funds**

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

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

**Measurement Focus and Basis of Accounting**

**Measurement Focus**

*Government-wide Financial Statements:*

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

*Fund Financial Statements:*

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

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

Fiduciary Funds also use the economic resources measurement focus.

**Basis of Accounting**

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

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

**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

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

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

### **Revenues – Exchange and Non-Exchange Transactions**

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

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

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

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

### **Unearned Revenues**

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

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

### **Expenses and Expenditures**

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

### **Cash and Cash Equivalents**

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

**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

**Investments**

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

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

**Fair Value Measurements**

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

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

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

**Inventories**

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

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**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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**Capital Assets**

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

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

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

**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.

**Compensated Absences**

The District reports compensated absences in accordance with the provisions of GASB No. 16, *Accounting for Compensated Absences*. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services

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**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means.

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

### **Accrued Liabilities and Long-term Obligations**

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

### **Pensions**

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

### **Fund Balance Classifications**

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

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

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

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

*Assigned* – This classification reflects the amounts constrained by the District's "intent" to be used for specific purposes, but are neither restricted nor committed. The school board or superintendent have the authority to assign amounts to be used for specific purposes.



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**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General fund, that are not classified as non-spendable and are neither restricted nor committed.

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

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

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

### **Deferred Outflows/Inflows of Resources**

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

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

### **Net Position**

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



**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

**Inter-fund Activity**

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

**Estimates**

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

**Revenue Recognition - Property Taxes**

Taxes receivable consist of current and delinquent uncollected taxes at June 30, 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. State laws limit property taxes. All school district tax levies are in compliance with state laws.

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

**NOTE 3 DEPOSITS AND INVESTMENTS**

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

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

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

At June 30, 2023, all deposits for the District were insured or collateralized by securities held by the District's agent in the District's name.

### **Investments**

As of June 30, 2023, the District's investments consist of the following:

Investment	Maturities	Fair Value
Certificates of Deposit	Less than 1 year	\$ 1,876,892
Certificates of Deposit	1 - 5 years	1,400,524
Certificates of Deposit	6 - 10 years	<u>914</u>
Total Investments		<u>\$ 3,278,330</u>

### **Interest Rate Risk**

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

### **Credit Risk**

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

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

### **NOTE 4 CREDIT RISK**

As of June 30, 2023, the District's receivables consist of amounts due from other governmental units primarily located within the State of North Dakota and bond interest rebates due from the Internal Revenue Service in accordance with the District's 2010 taxable limited bond agreements.

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**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

**NOTE 5 CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2023 was as follows:

	Balance 6/30/2022	Additions	Disposals	Balance 6/30/2023
<b>Governmental Activities</b>				
Non-Depreciable Capital Assets:				
Construction in Progress	\$ 577,311	\$ 8,762,882	\$ 344,186	\$ 8,996,007
School Sites and Other Lands	7,021,556	275,479	-	7,297,035
Total Non-Depreciable Capital Assets:	<u>7,598,867</u>	<u>9,038,361</u>	<u>344,186</u>	<u>16,293,042</u>
Depreciable Capital Assets:				
Buildings	138,965,845	1,381,309	-	140,347,154
Improvements Other than Buildings	6,272,402	-	-	6,272,402
Furniture & Equipment	11,671,240	1,114,623	15,480	12,770,383
Total Capital Assets	<u>156,909,487</u>	<u>2,495,932</u>	<u>15,480</u>	<u>159,389,939</u>
Less Accumulated Depreciation:				
Buildings	64,880,894	2,608,234	-	67,489,128
Improvements Other than Buildings	2,884,819	300,160	-	3,184,979
Furniture & Equipment	5,607,574	607,823	15,480	6,199,917
Total Accumulated Depreciation	<u>73,373,287</u>	<u>3,516,217</u>	<u>15,480</u>	<u>76,874,024</u>
Net Depreciable Capital Assets	<u>83,536,200</u>	<u>(1,020,285)</u>	<u>-</u>	<u>82,515,915</u>
Lease Assets				
Equipment	214,772	-	129,065	85,707
Building	976,232	-	-	976,232
Land	145,156	-	-	145,156
Total Lease Assets, being amortized	<u>1,336,160</u>	<u>-</u>	<u>129,065</u>	<u>1,207,095</u>
Less Accumulated amortization for:				
Equipment	121,830	51,403	129,065	44,168
Building	231,447	233,465	-	464,912
Land	11,586	11,586	-	23,172
Total Accumulated Amortization	<u>364,863</u>	<u>296,454</u>	<u>129,065</u>	<u>532,252</u>
Net Lease Assets	<u>971,297</u>	<u>(296,454)</u>	<u>-</u>	<u>674,843</u>
Governmental Activities Capital Assets, Net	<u>\$ 92,106,364</u>	<u>\$ 7,721,622</u>	<u>\$ 344,186</u>	<u>\$ 99,483,800</u>

**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

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

Instruction:	
Regular	\$ 1,716,637
Special Education	564,625
Career Technical Education	104,127
Headstart	45,305
Support Services:	
Pupil and Instructional Staff Services	331,965
Headstart	13,451
Special Education	72,025
Career Technical Education	8,223
General Administration Services	74,406
School Administration Services	179,224
Business Services	59,652
Operations and Maintenance	288,973
Pupil Transportation Services	49,998
Extracurricular Activities	136,524
Food Services	145,116
Community Services	22,420
	<u>\$ 3,812,671</u>

**NOTE 6 LONG-TERM INDEBTEDNESS**

The following is a summary of changes in long-term indebtedness of the District for the year ended June 30, 2023:

	Balance 6/30/2022	Additions	Retired	Balance 6/30/2023	Due Within One Year
Bonds:					
Bank of North Dakota	\$ 8,960,176	\$ -	\$ 738,207	\$ 8,221,969	\$ 752,602
Taxable Limited Tax Bonds	11,364,000	13,266,000	-	24,630,000	425,000
General Obligation Special Assessment Prepayment Bonds	1,145,000	-	100,000	1,045,000	105,000
Certificate of Indebtedness	-	736,500	-	736,500	-
Taxable Limited Tax Refunding Bonds	2,700,000	-	200,000	2,500,000	205,000
Total Bonds:	<u>24,169,176</u>	<u>14,002,500</u>	<u>1,038,207</u>	<u>37,133,469</u>	<u>1,487,602</u>
Leases Payable	969,056	-	284,141	684,915	265,892
Premium on Bonds Payable	113,313	634,751	41,594	706,470	41,594
Special Assessments Payable	102,643	189,415	13,154	278,904	13,352
Severance Payable	873,301	-	552,351	320,950	320,950
Sick Leave Payable	127,330	120	-	127,450	127,450
Net Pension Liability	70,067,930	39,223,727	15,006,976	94,284,681	-
Totals	<u>\$ 96,422,749</u>	<u>\$ 54,050,513</u>	<u>\$ 16,936,423</u>	<u>\$ 133,536,839</u>	<u>\$2,256,840</u>

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

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**A. Bonds:**

**Bank of North Dakota:**

Date of Issue	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 06/30/23	Amounts Due in 2023-2024	
						Principal	Interest
2013B	1.95%	2033	\$ 15,000,000	\$ 738,207	\$ 8,221,969	\$ 752,602	\$ 160,328
				<u>\$ 738,207</u>	<u>\$ 8,221,969</u>	<u>\$ 752,602</u>	<u>\$ 160,328</u>

Annual debt service requirements to maturity are as follows:

Years Ending June 30,	Principal	Interest	Total
2024	\$ 752,602	\$ 160,328	\$ 912,930
2025	767,278	145,653	912,931
2026	782,240	130,691	912,931
2027	797,493	115,437	912,930
2028	813,044	99,886	912,930
2029-2033	4,309,312	255,340	4,564,652
Total	<u>\$ 8,221,969</u>	<u>\$ 907,335</u>	<u>\$ 9,129,304</u>

**Taxable Limited Tax Bonds:**

Date of Issue	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 06/30/23	Amounts Due in 2023-2024		Anticipated Interest Subsidy
						Principal	Interest	
2010A	6.00%	2028	\$ 6,230,000	\$ -	\$ 6,230,000	\$ -	\$ 373,800	\$ 353,241
2010B	6.00%	2028	5,000,000	-	5,000,000	-	300,000	283,500
2022A	4.50%	2043	13,400,000	-	13,400,000	425,000	565,675	-
				<u>\$ -</u>	<u>\$ 24,630,000</u>	<u>\$ 425,000</u>	<u>\$ 1,239,475</u>	<u>\$ 636,741</u>

Annual debt service requirements to maturity are as follows:

Years Ending June 30,	Principal	Interest	Total
2024	\$ 425,000	\$ 1,239,475	\$ 1,664,475
2025	440,000	1,217,850	1,657,850
2026	465,000	1,195,225	1,660,225
2027	490,000	1,171,350	1,661,350
2028	510,000	1,146,350	1,656,350
2029-2033	14,205,000	2,290,650	16,495,650
2034-2038	3,655,000	1,265,100	4,920,100
2039-2043	4,440,000	457,800	4,897,800
Total	<u>\$ 24,630,000</u>	<u>\$ 9,983,800</u>	<u>\$ 34,613,800</u>

The Series 2010A bonds were issued as "Qualified School Construction Bonds (QSCB)" pursuant to Section 54F of the Internal Revenue Code. The Series 2010B bonds were issued as "Qualified Zone Academy Bonds (QZAB)" pursuant to section 226(a) of the Taxpayer Relief Act of 1997. These designations provide that the District will be reimbursed by the federal government for any interest expense incurred on these issuances at an amount equal to the lesser of the amount of

**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

interest payable on each scheduled payment date or the amount of interest which would have been payable on such date if interest were determined at the applicable credit rate. The resulting effective interest rate for the Series 2010A and 2010B bonds at June 30, 2023 is 0.653%.

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

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

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

<u>Years Ending June 30,</u>	<u>Series 2010A</u>	<u>Series 2010B</u>	<u>Total</u>
2024-2028	\$ 3,461,110	\$ 2,777,776	\$ 6,238,886
Total	<u>\$ 3,461,110</u>	<u>\$ 2,777,776</u>	<u>\$ 6,238,886</u>

**General Obligation Special Assessment Prepayment Bonds:**

<u>Date of Issue</u>	<u>Net Interest Rate</u>	<u>Maturity Dates</u>	<u>Original Amount</u>	<u>Current Year Retired</u>	<u>Balance 06/30/23</u>	<u>Amounts Due in 2023-2024</u>	
						<u>Principal</u>	<u>Interest</u>
2020A	2.00%	2035	\$ 1,260,000	\$ 100,000	\$ 1,045,000	\$ 105,000	\$ 19,850

Annual debt service requirements to maturity are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 105,000	\$ 19,850	\$ 124,850
2025	85,000	17,950	102,950
2026	85,000	16,250	101,250
2027	85,000	14,550	99,550
2028	90,000	12,800	102,800
2029-2033	335,000	34,050	369,050
2034-2035	<u>260,000</u>	<u>7,900</u>	<u>267,900</u>
Total	<u>\$ 1,045,000</u>	<u>\$ 123,350</u>	<u>\$ 1,168,350</u>

**Taxable Limited Tax Refunding Bonds:**

<u>Date of Issue</u>	<u>Net Interest Rate</u>	<u>Maturity Dates</u>	<u>Original Amount</u>	<u>Current Year Retired</u>	<u>Balance 06/30/23</u>	<u>Amounts Due in 2023-2024</u>	
						<u>Principal</u>	<u>Interest</u>
2020B	2.00%	2035	\$ 2,700,000	\$ 200,000	\$ 2,500,000	\$ 205,000	\$ 47,950

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Annual debt service requirements to maturity are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 205,000	\$ 47,950	\$ 252,950
2025	210,000	43,800	253,800
2026	215,000	39,550	254,550
2027	220,000	35,200	255,200
2028	225,000	30,750	255,750
2029-2033	930,000	77,300	1,007,300
2034-2035	<u>495,000</u>	<u>9,950</u>	<u>504,950</u>
Total	<u>\$ 2,500,000</u>	<u>\$ 284,500</u>	<u>\$ 2,784,500</u>

**B. Certificate of Indebtedness**

<u>Date of Issue</u>	<u>Net Interest Rate</u>	<u>Maturity Dates</u>	<u>Original Amount</u>	<u>Current Year Retired</u>	<u>Balance 06/30/23</u>	<u>Amounts Due in 2023-2024</u>	
						<u>Principal</u>	<u>Interest</u>
2023	5.05%	2039	\$ 736,500	\$ -	\$ 736,500	\$ -	\$ 21,799

Annual debt service requirements to maturity are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ -	\$ 21,799	\$ 21,799
2025	31,095	36,408	67,503
2026	35,868	34,717	70,585
2027	37,679	32,860	70,539
2028	39,582	30,909	70,491
2029-2033	229,991	121,655	351,646
2034-2038	294,232	55,794	350,026
2039	<u>68,053</u>	<u>1,720</u>	<u>69,773</u>
Total	<u>\$ 736,500</u>	<u>\$ 335,862</u>	<u>\$ 1,072,362</u>

**C. Special Assessment Payable**

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 13,352	\$ 8,040	\$ 21,392
2025	13,352	7,649	21,001
2026	13,352	7,258	20,610
2027	13,352	6,866	20,218
2028	13,352	6,475	19,827
2029-2033	65,009	26,570	91,579
2034-2038	62,241	17,205	79,446
2039-2043	53,841	8,347	62,188
2044-2048	29,593	2,061	31,654
2049-2053	<u>1,460</u>	<u>97</u>	<u>15,567</u>
Total	<u>\$ 278,904</u>	<u>\$ 90,568</u>	<u>\$ 383,482</u>

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**D. Lease Payable**

The District leases various buildings, parking lots and equipment, the terms for the lease are as follows:

<u>Lease Type</u>	<u>Commencing</u>	<u>Terminating</u>	<u>Payment Frequency</u>	<u>Payment Amount</u>
Building	8/1/2018	6/30/2027	Annually	\$ 10,668
Building	8/23/2021	8/31/2023	Monthly	2,200
Building	7/1/2020	6/30/2025	Monthly	13,702
Building	7/1/2019	6/30/2024	Monthly	1,050
Building	7/20/2019	10/14/2024	Yearly	27,000
Land:				
Parking Lot	5/14/2018	8/31/2023	Yearly	8,000
Parking Lot	1/1/2021	12/31/2050	Yearly	6,000
Equipment:				
Copiers	7/1/2020	3/31/2025	Monthly	287
Copiers	4/15/2020	4/30/2025	Monthly	1,650
Computers	7/14/2009	1/31/2023	Yearly	15,819
Copiers	9/14/2017	10/1/2022	Monthly	5,783
Copiers	7/21/2017	7/1/2022	Monthly	2,342

The following is a schedule by year of future minimum payments required under the leases:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2024	\$ 265,892	\$ 14,132	\$ 280,024
2025	228,355	7,769	236,124
2026	38,697	4,371	43,068
2027	39,644	3,424	43,068
2028	7,745	2,655	10,400
2029 - 2033	18,067	11,933	30,000
2034 - 2038	20,389	9,611	30,000
2039 - 2043	23,008	6,992	30,000
2044 - 2048	25,964	4,036	30,000
2049 - 2052	17,154	846	18,000
Total	<u>\$ 684,915</u>	<u>\$ 65,769</u>	<u>\$ 750,684</u>

**E. Severance Payable:**

In prior years the Grand Forks Public School District No. 1 adopted a severance policy, as of July 12, 2021 this policy was rescinded. All individuals who retired prior to the policy being rescinded retained their benefits as per the original policy:

1. Requirements

- a. By August 15<sup>th</sup> of the year of retirement, the professional staff member must attain the "rule of 85" for the Teachers' Fund for Retirement of North Dakota. The employee must submit verification from the Teachers' Fund for Retirement of North Dakota of the



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years of creditable service effective on the date of retirement from the Grand Forks Public Schools to document that the employee meets the eligibility standards.

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

**2. Early Retirement Payment**

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

___% X	\$___ =	\$___X	___% =	\$___
Years	Final	Incentive	Reduction	Amount
Service	Contract	Amount	Factor	Employee
District(*1)	Amount		Schedule(*2)	Receives

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

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

<u>Year of Retirement</u>	<u>Reduction Factor</u>
Year of Eligibility	100% of Incentive
Year of Eligibility + 1	90% of Incentive
Year of Eligibility + 2	80% of Incentive
Year of Eligibility + 3	70% of Incentive
Year of Eligibility + 4	60% of Incentive
Year of Eligibility + 5	50% of Incentive
Year of Eligibility + 6	40% of Incentive

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Year of Eligibility + 7	30% of Incentive
Year of Eligibility + 8	20% of Incentive
Year of Eligibility + 9	10% of Incentive
Year of Eligibility + 10	0% of Incentive

Following is a summary of the early retirement payable:

<u>Early Retirement Incentive</u>	<u>Current Amount</u>	<u>Long-Term Amount</u>
2021		
Fiscal Year Payable		
2024	\$ 14,947	\$ -
2021		
Fiscal Year Payable		
2024	306,003	-
Totals	<u>\$ 320,950</u>	<u>\$ -</u>

**NOTE 7 DEFINED BENEFIT PENSION PLANS - STATEWIDE**

**North Dakota Teacher's Fund For Retirement**

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

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

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

***Pension Benefits***

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

***Tier 1 Grandfathered***

A Tier 1 grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer

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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.

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**Death and Disability Benefits**

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

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

**Member and Employer Contributions**

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

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

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

At June 30, 2023, the District reported a liability of \$94,284,681 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 6.475361% which was a decrease of 0.174625% from its proportion measured as of July 1, 2021.

For the year ended June 30, 2023, the Employer recognized pension expense of \$4,759,553. At June 30, 2023, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 406,312	\$ (2,517,354)
Changes in actuarial assumptions	1,917,189	-
Difference between projected and actual investment earnings	7,062,059	-
Changes in proportion	-	(4,973,048)
Contributions paid to TFFR subsequent to the measurement date	6,670,800	-
Total	<u>\$ 16,056,360</u>	<u>\$ (7,490,402)</u>

\$6,670,800 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:

<u>Year ending June 30:</u>	<u>Pension Expense Amount</u>
2024	\$ 138,606
2025	(523,155)
2026	(1,531,680)
2027	5,222,028
2028	(522,197)
Thereafter	(888,444)

### **Actuarial Assumptions**

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

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

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

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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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real</b>
		<b>Rate of Return</b>
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 1, 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, 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 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 employers calculated using the discount rate of 7.25 percent as of June 30, 2022, as well as what the employers' 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:



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	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:	\$ 129,538,508	\$ 94,284,681	\$ 65,046,075

**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 Annual Comprehensive Financial Report (ACFR) is located: <https://www.rio.nd.gov/sites/www/files/documents/PDFs/RIO/Reports/annualreport2022.pdf>.

**Tax-Sheltered Annuities (TSA)**

The School District will provide matching contributions up to 5% of the non-certified staff's annual wages to a tax-sheltered annuity. The School District's matching contributions to the TSA's for the fiscal years ended June 30, 2023, 2022, and 2021, were \$474,957, \$482,239, and \$499,412, respectively.

**NOTE 8 COMMITMENTS AND CONTINGENCIES**

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

**Grant Programs:**

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 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.

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

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

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**Construction Commitments**

The District has entered into contracts for various construction projects, as of June 30, 2023, the District had \$15,239,654 remaining in construction contracts.

**NOTE 9 RISK MANAGEMENT**

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

The School District has agreed to partially self-insure claims for health insurance of District employees to a maximum liability of \$125,000 per employee and an aggregate liability of \$11,174,583. Self-insurance activities are accounted for in the Proprietary Fund. Changes in claims payable were as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Claims Payable, July 1	\$ 687,159	\$ 605,294	\$ 561,142
Incurring Claims	11,723,394	11,219,260	8,077,536
Claims Paid	<u>(11,830,541)</u>	<u>(11,137,395)</u>	<u>(8,033,384)</u>
Claims Payable, June 30	<u>\$ 580,012</u>	<u>\$ 687,159</u>	<u>\$ 605,294</u>

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

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

**NOTE 10 SHARED USE AGREEMENT**

The District has entered into a shared use agreement with a local park district authority in a mutually beneficial agreement to utilize land and facilities. The agreement allows for both entities to use specific properties owned by either entity for the benefit of local children. The agreement calls for net fees being paid by the District in the amount of \$125,650 for the year ended June 30, 2023.

**NOTE 11 NON-MONETARY TRANSACTIONS**

The District receives food commodities from the federal government to subsidize its hot lunch program. The market value of commodities received and used for the year ended June 30, 2023 was \$467,818.



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**NOTE 12 FUND BALANCES**

**A. Classifications**

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

	General Fund	Special Assessment Fund	Food Service	Building Fund	Special Reserve Fund (Nonmajor)	Total
Nonspendable:						
Inventory	\$ 238,051	\$ -	\$ 145,851	\$ -	\$ -	\$ 383,902
Restricted:						
Capital Projects	-	-	-	10,075,225	1,011,104	11,086,329
Student Activities	1,016,896	-	-	-	-	1,016,896
Special Assessments	-	1,570,511	-	-	-	1,570,511
Assigned:						
Food Service	-	-	4,691,617	-	-	4,691,617
Unassigned	10,746,948	-	-	-	-	10,746,948
Total Fund Balances	<u>\$ 12,001,895</u>	<u>\$ 1,570,511</u>	<u>\$ 4,837,468</u>	<u>\$ 10,075,225</u>	<u>\$ 1,011,104</u>	<u>\$ 29,496,203</u>

**NOTE 13 TRANSFERS**

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

Transfer In	Transfer Out	Amount
General Fund	Special Reserve Fund	\$ 1,014,229

**NOTE 14 TAX ABATEMENTS**

Grand Forks County and certain political subdivisions within the county can negotiate property tax abatement agreements with the individuals and various commercial entities/businesses. Grand Forks County and the political subdivisions within have the following types of tax abatement agreements with various individuals and commercial entities at June 30, 2023.

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

**New and Expanding Business Exemption**

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

The following criteria are only guidelines.

General criteria — The governing body of the city or county may grant a partial or complete exemption from ad valorem taxation on all buildings, structure, fixtures, and improvements used

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**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

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

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

Reduction in Taxes – Due to Agreements with Other Entities

Total program reduction in taxes – \$180,455

**Public Charity Exemption**

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

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

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

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

Reduction in Taxes – Due to Agreements with Other Entities

Total program reduction in taxes – \$1,624,858

**New Residence**

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

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

a. The governing body of the city, for property within city limits, or the governing body of the county, for property outside city limits, has approved the exemption of the property by resolution.

**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

A resolution adopted under this subsection may be rescinded or amended at any time. The governing body of the city or county may limit or impose conditions upon exemptions under this subsection, including limitations on the time during which an exemption is allowed.

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

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

Reduction in Taxes – Due to Agreements with Other Entities

Total program reduction in taxes – \$501,289

**Childhood Service Exemption**

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

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

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

Reduction in Taxes – Due to Agreements with Other Entities

Total program reduction in taxes – \$23,131

**Remodel Exemptions**

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

Under NDCC 57-02.2-03 improvements to commercial and residential buildings and structures as defined in this chapter may be exempt from assessment and taxation for up to five years from the date of commencement of making the improvements, if the exemption is approved by the governing body of the city, for property within city limits, or the governing body of the county, for property outside city limits. The governing body of the city or county may limit or impose conditions upon exemptions under this section, including limitations on the time during which an exemption is allowed. A resolution adopted by the governing body of the city or county under this section may be rescinded or amended at any time. The exemption provided by this chapter shall apply only to that part of the valuation resulting from the improvements which is over and above the assessed valuation, exclusive of the land, placed upon the building or structure for the last assessment period immediately preceding the date of commencement of the improvements. Any person, corporation, limited liability company, association, or organization owning real property and seeking an exemption under this chapter shall file with the assessor a certificate setting out the facts upon which the claim for exemption is based. The assessor shall determine whether the improvements qualify for the exemption based on the resolution of the governing body of the city or county, and if the assessor determines that the exemption should apply, upon approval of the

**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

governing body, the exemption is valid for the prescribed period and shall not terminate upon the sale or exchange of the property but shall be transferable to subsequent owners. If the certificate is not filed as herein provided, the assessor shall regard the improvements as nonexempt and shall assess them as such.

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

Reduction in Taxes – Due to Agreements with Other Entities

Total program reduction in taxes – \$85,697

**Builder Exemption**

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

General Criteria:

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

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

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

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

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

Reduction in Taxes – Due to Agreements with Other Entities

Total program reduction in taxes – \$417,098

**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

**NOTE 15 RECLASSIFICATIONS**

Certain reclassifications have been made to the 2022 financial statements in order to conform with the 2023 presentation.

**NOTE 16 NEW PRONOUNCEMENTS**

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

- 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*, enhances the accounting and financial reporting requirements for accounting changes and error corrections. The standard is effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences through aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The standard is effective for fiscal years beginning after December 15, 2023.

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

**NOTE 17 SUBSEQUENT EVENTS**

One May 22, 2023, the District approved an agreement with a contractor to provide student transportation and school bus services from July 1, 2023, through June 30, 2026.

On June 26, 2023, the District approved general obligation building bonds in the amount of \$8,800,000.

On August 21, 2023, the District approved general obligation school building bonds in the amount of \$30,000,000.

On August 22, 2023, the District was gifted land for the construction of the Career and Technical Education Center, the land has a value of \$1,588,550.

**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Fund 10</u>	<u>Fund 6</u>	<u>Fund 61</u>	<u>Fund 62</u>	<u>Fund 65</u>	<u>General Fund Actual</u>	<u>Original and Final Budget</u>	<u>Over (Under) Budget</u>
<b>Revenues</b>								
Property Taxes	\$ 22,514,102	\$ -	\$ -	\$ -	\$ -	\$ 22,514,102	\$ 22,722,377	\$ (208,275)
Other Local Sources	676,742	1,165,135	-	69,319	352,100	2,263,296	1,007,046	1,256,250
Intergovernmental	89,025,580	-	-	-	349,477	89,375,057	90,828,931	(1,453,874)
Charges for Services	5,052,226	-	368,526	143,087	-	5,563,839	5,315,597	248,242
Contributions and Donations	12,519	-	-	10,850	-	23,369	35,329	(11,960)
Investment Income (Loss)	630,016	-	-	-	-	630,016	(30,000)	660,016
Other Income	235,899	-	-	-	-	235,899	-	235,899
<b>Total Revenues</b>	<u>118,147,084</u>	<u>1,165,135</u>	<u>368,526</u>	<u>223,256</u>	<u>701,577</u>	<u>120,605,578</u>	<u>119,879,280</u>	<u>726,298</u>
<b>Expenditures</b>								
Current:								
<b>Instruction:</b>								
Regular	49,250,709	-	-	-	403	49,251,112	49,587,105	(335,993)
Special Education	18,380,902	-	-	-	-	18,380,902	18,404,255	(23,353)
Career Technical Education	3,114,328	-	-	-	446,051	3,560,379	3,305,821	254,558
Headstart	1,467,929	-	-	-	-	1,467,929	1,473,700	(5,771)
Total Instruction	<u>72,213,868</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>446,454</u>	<u>72,660,322</u>	<u>72,770,881</u>	<u>(110,559)</u>
<b>Support Services:</b>								
Pupil and Instructional Staff Services	14,735,780	-	-	-	-	14,735,780	12,464,681	2,271,099
Headstart	633,379	-	-	-	-	633,379	648,754	(15,375)
Special Education	3,097,730	-	-	-	-	3,097,730	2,426,745	670,985
Career Technical Education	354,772	-	-	-	67,420	422,192	341,033	81,159
General Administrative Services	1,624,346	-	-	-	180,949	1,805,295	1,814,664	(9,369)
School Administrative Services	5,895,413	-	-	-	-	5,895,413	5,918,741	(23,328)
Business Services	1,905,250	-	-	-	-	1,905,250	1,953,107	(47,857)
Operations and Maintenance	9,347,819	-	-	867	-	9,348,686	9,973,852	(625,166)
Pupil Transportation Services	1,376,547	-	-	-	-	1,376,547	1,767,679	(391,132)
Extracurricular	2,895,892	1,058,687	868,308	142,046	13,432	4,978,365	3,661,199	1,317,166
Food Services	19,056	-	-	-	-	19,056	17,698	1,358
Community Services	797,502	-	-	-	-	797,502	770,632	26,870
Capital Outlay	3,418,754	-	136,692	3,812	16,778	3,576,036	6,519,611	(2,943,575)
<b>Debt Service:</b>								
Principal	318,212	-	-	-	-	318,212	-	318,212
Interest	26,929	-	-	-	-	26,929	-	26,929
Total Support Services	<u>46,447,381</u>	<u>1,058,687</u>	<u>1,005,000</u>	<u>146,725</u>	<u>278,579</u>	<u>48,936,372</u>	<u>48,278,396</u>	<u>657,976</u>
<b>Total Expenditures</b>	<u>118,661,249</u>	<u>1,058,687</u>	<u>1,005,000</u>	<u>146,725</u>	<u>725,033</u>	<u>121,596,694</u>	<u>121,049,277</u>	<u>547,417</u>
<b>Revenues Over(Under) Expenditures</b>	<u>(514,165)</u>	<u>106,448</u>	<u>(636,474)</u>	<u>76,531</u>	<u>(23,456)</u>	<u>(991,116)</u>	<u>(1,169,997)</u>	<u>178,881</u>
<b>Other Financing Sources (Uses)</b>								
Proceeds from Long Term Debt	736,500	-	-	-	-	736,500	-	736,500
Sales of CTE House	523,769	-	-	-	-	523,769	261,513	262,256
Transfers In	1,014,229	-	631,038	-	-	1,645,267	638,968	1,006,299
Transfers Out	(631,038)	-	-	-	-	(631,038)	(202,500)	(428,538)
<b>Total Other Financing Sources (Uses)</b>	<u>1,643,460</u>	<u>-</u>	<u>631,038</u>	<u>-</u>	<u>-</u>	<u>2,274,498</u>	<u>697,981</u>	<u>1,576,517</u>
<b>Net Change in Fund Balances</b>	<u>1,129,295</u>	<u>106,448</u>	<u>(5,436)</u>	<u>76,531</u>	<u>(23,456)</u>	<u>1,283,382</u>	<u>(472,016)</u>	<u>1,755,398</u>
<b>Fund Balances, Beginning of Year</b>	<u>9,200,263</u>	<u>910,448</u>	<u>3,910</u>	<u>181,418</u>	<u>422,474</u>	<u>10,718,513</u>	<u>10,718,513</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 10,329,558</u>	<u>\$ 1,016,896</u>	<u>\$ (1,526)</u>	<u>\$ 257,949</u>	<u>\$ 399,018</u>	<u>\$ 12,001,895</u>	<u>\$ 10,246,497</u>	<u>\$ 1,755,398</u>

See Note to the Budgetary Comparison Schedule

**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTE TO THE BUDGETARY COMPARISON SCHEDULE**  
**JUNE 30, 2023**

**NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING:**

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

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

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

Expenditures in the general fund were over budget by \$547,417 for the year ended June 30, 2023.

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

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 6,670,800	\$ (6,670,800)	\$ -	\$ 52,319,987	12.75%
2022	6,496,819	(6,496,819)	-	50,955,420	12.75%
2021	6,534,555	(6,534,555)	-	51,251,412	12.75%
2020	6,303,478	(6,303,478)	-	49,439,033	12.75%
2019	6,140,240	(6,140,240)	-	48,158,729	12.75%
2018	6,015,621	(6,015,621)	-	47,178,383	12.75%
2017	6,075,739	(6,075,739)	-	47,588,365	12.77%
2016	5,850,866	(5,850,866)	-	45,793,480	12.78%
2015	5,478,826	(5,478,826)	-	42,971,154	12.75%

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

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

See Note to the Required Supplementary Information



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

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	6.47536100%	\$ 94,284,681	\$ 50,955,420	185.03%	67.50%
2021	6.64998599%	70,067,930	51,251,415	136.71%	75.70%
2020	6.77561996%	103,701,098	49,439,033	209.76%	63.40%
2019	6.86482901%	94,546,071	48,158,729	196.32%	65.50%
2018	6.94037677%	92,505,389	47,178,383	196.08%	65.50%
2017	7.05998058%	96,970,651	47,588,365	203.77%	63.20%
2016	7.06285618%	103,474,979	45,793,480	225.96%	59.20%
2015	6.98598800%	91,366,606	42,971,154	212.62%	62.10%
2014	7.19546400%	75,395,706	41,737,522	180.64%	66.60%

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

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

See Note to the Required Supplementary Information

**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**NOTE 1 CHANGES OF ASSUMPTIONS**

**TFFR**

Amounts reported in 2023 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 actuarial assumption changes based on the results of an actuarial experience study dated April 30, 2015.

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Grand Forks Public School District No. 1 as of and for the year ended June 30, 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 January 26, 2024.

## **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 were not 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 certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 that we consider to be significant deficiencies.

## Report on Compliance and Other Matters

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

## Districts response to Findings

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

## Purpose of this Report

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



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

January 26, 2024

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

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

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Grand Forks Public School District No. 1's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Grand Forks Public School District No. 1's major federal programs for the year ended June 30, 2023. Grand Forks Public School District No. 1's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Grand Forks Public School District No. 1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Grand Forks Public School District No. 1 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 Grand Forks Public School District No. 1's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Grand Forks Public School District No. 1'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 Grand Forks Public School District No. 1'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 Grand Forks Public School District No. 1'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 Grand Forks Public School District No. 1'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 Grand Forks Public School District No. 1'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 Grand Forks Public School District No. 1's internal control over compliance. Accordingly, no such opinion is expressed.

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

## Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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



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

January 26, 2024

**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass- Through Number	Federal AL Number	Passed- Through to Subrecipients	Amount
<u>U.S. Department of Education</u>				
Direct Programs:				
Indian Elementary and Secondary School Assistance		84.060		\$ 84,309
Total Direct				<u>84,309</u>
Indirect Programs:				
Passed Through North Dakota Department of Public Instruction:				
Adult Education State Grant Program	N/A	84.002		157,242
Title I	N/A	84.010		2,721,460
Career and Technical Education - Basic Grants to States	N/A	84.048		209,525
21st Century Community Learning Centers	N/A	84.287	\$ 74,437	698,237
Title III: Language Instruction for LEP & Immigrant	N/A	84.365		34,623
Title II, Part A	N/A	84.367		699,521
State Assessments and Related Activities	N/A	84.369		1,716
Comprehensive Literacy State Development (Striving Readers)	N/A	84.371		716,873
Title IV: Student Support and Academic Enrichment	N/A	84.424		512,886
COVID-19 Elementary and Secondary School Emergency Relief Fund	N/A	84.425D		1,857,326
COVID-19 Elementary and Secondary School Emergency Relief Fund	N/A	84.425R		248,667
COVID-19 Elementary and Secondary School Emergency Relief Fund	N/A	84.425U		5,509,492
COVID-19 Elementary and Secondary School Emergency Relief Fund	N/A	84.425W		<u>77,659</u>
Total AL 84.425				<u>7,693,144</u>
Passed Through North Dakota Department of Public Instruction:				
<i>Special Education Cluster:</i>				
Special Education Grants to States	N/A	84.027		2,827,462
Special Education Preschool Grants	N/A	84.173		<u>103,320</u>
Total Special Education Cluster				<u>2,930,782</u>
Total Indirect				<u>16,376,009</u>
Total U.S. Department of Education				<u>16,460,318</u>
<u>U.S. Department of Agriculture</u>				
Indirect Programs:				
Passed Through North Dakota Department of Public Instruction				
Child and Adult Care Food Program	N/A	10.558		137,614
State Administrative Expenses for Child Nutrition	N/A	10.560		9,182
<i>Child Nutrition Cluster:</i>				
School Breakfast Program	N/A	10.553		508,422
Supply Chain Assistance	N/A	10.555		166,672
National School Lunch Program	N/A	10.555		1,877,526
Commodity Distribution (Nonmonetary Assistance)	N/A	10.555		432,989
Commodity Distribution (Nonmonetary Assistance)	N/A	10.559		34,829
COVID-19 Summer Food Program	N/A	10.559		<u>32,284</u>
Total Child Nutrition Cluster				<u>3,052,722</u>
Total U.S. Department of Agriculture				<u>3,199,518</u>

See Notes to the Schedule of Expenditures of Federal Awards



**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2023**

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass- Through Number	Federal AL Number	Passed- Through to Subrecipients	Amount
<u>U.S. Department of Health and Human Services</u>				
Direct Programs:				
Head Start		93.600		<u>3,022,200</u>
Total Direct				<u>3,022,200</u>
Indirect Programs:				
Passed through Altru Health System				
Drug-Free Communities Support Program	N/A	93.276		49,008
Passed through Lutheran Social Services				
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	N/A	93.566		<u>5,150</u>
Total Indirect				<u>54,158</u>
Total U.S. Department of Health and Human Services				<u>3,076,358</u>
Total Federal Awards			<u>\$ 74,437</u>	<u>\$22,736,194</u>

See Notes to the Schedule of Expenditures of Federal Awards

**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 2 INDIRECT COST RATE**

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

**NOTE 3 BASIS OF PRESENTATION**

The accompanying Schedule includes the federal award activity of the Grand Forks Public School District No. 1 under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of Grand Forks Public School District No. 1, it is not intended to and does not present the financial position or change in net position of Grand Forks Public School District No. 1. The amounts reported on the schedule have been reconciled to and are in agreement with amounts recorded in the accounting records from which the financial statements have been reported.

**NOTE 4 NON-MONETARY TRANSACTIONS**

The District receives commodities through the food distribution program and the assistance is valued at the fair value of the commodities received and disbursed. During the year, the District received \$467,818 for commodities and used \$467,818 in commodities.

**NOTE 5 PASS-THROUGH ENTITIES**

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

**NOTE 6 SUBRECIPIENT TRANSACTIONS**

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

21st Century	
Emerado	\$ 43,732
Youthworks	30,705
Total	<u>\$ 74,437</u>

**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**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:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>   </u> yes <u>  x  </u> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u>  x  </u> yes <u>   </u> none reported
Noncompliance material to financial statements noted?	<u>   </u> yes <u>  x  </u> no

Federal Awards

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

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

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.600	Head Start
84.425	COVID-19 Elementary and Secondary School Emergency Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>
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Auditee qualified as low-risk auditee?	<u>  x  </u> yes <u>   </u> no
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**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**2023-001: Proposition of Journal Entries – Significant Deficiency**

Criteria

The District is required to maintain internal controls at a level where underlying support for general ledger accounts can be developed and a determination can be made for the general ledger accounts that they are properly reflected on the generally accepted accounting principles.

Condition

During our audit, adjusting entries to the financial statements were proposed in order to properly reflect the financial statements in accordance with generally accepted accounting principles.

Cause

The District's internal controls have not been designed to address the specific training needs required of its personnel to identify the adjustments necessary to properly reflect the financial statements in accordance with generally accepted accounting principles.

Effect

The District's financial statements were materially misstated prior to adjustments detected as a result of audit procedures.

Recommendation

Accounting personnel will need to determine the proper balance in each general ledger account prior to the audit.

Indication of Repeat Finding

Yes. Prior audit finding 2022-001.

Views of Responsible Officials and Planned Corrective Actions

The District will receive training in the recording of these transactions.

**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**2023-002: Report Preparation – Significant Deficiency**

Criteria

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

Condition

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

Cause

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

Effect

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

Recommendation

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

Indication of Repeat Finding

Yes. Prior audit finding 2022-002.

Views of Responsible Officials and Planned Corrective Actions

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

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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

**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**2022-001: Proposition of Journal Entries – Significant Deficiency**

Criteria

The District is required to maintain internal controls at a level where underlying support for general ledger accounts can be developed and a determination can be made for the general ledger accounts that they are properly reflected on the generally accepted accounting principles.

Condition

During our audit, adjusting entries to the financial statements were proposed in order to properly reflect the financial statements in accordance with generally accepted accounting principles.

Cause

The District's internal controls have not been designed to address the specific training needs required of its personnel to identify the adjustments necessary to properly reflect the financial statements in accordance with generally accepted accounting principles.

Effect

The District's financial statements were materially misstated prior to adjustments detected as a result of audit procedures.

Recommendation

Accounting personnel will need to determine the proper balance in each general ledger account prior to the audit.

Views of Responsible Officials and Planned Corrective Actions

The District will receive training in the recording of these transactions.

Corrective Action Taken

See current finding 2023-001.

**GRAND FORKS PUBLIC SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**2022-002: Report Preparation – Significant Deficiency**

Criteria

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

Condition

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

Cause

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

Effect

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

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

Corrective Action Taken

See current finding 2023-002.



**Brandon Baumbach**  
Business Manager

Department Phone: 701.787.4885  
Direct Phone: 701.746.2205, Ext. 7126  
Fax: 701.772.7739  
bbaumbach020@mygfschools.org

Corrective Action Plan  
June 30, 2023

2023-001

Contact Person – Brandon Baumbach, Business Manager

Corrective Action Plan – The District will review the general ledger account balances prior to the annual audit.

Completion Date – Ongoing.

2023-002

Contact Person – Brandon Baumbach, Business Manager

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

Completion Date – Ongoing.



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PO Box 6000  
Grand Forks, ND 58206-6000



[www.gfschools.org](http://www.gfschools.org)

Equal opportunity employer

Grand Forks School District prohibits discrimination and harassment based on race, color, religion, sex, sexual orientation, gender identity, gender expression, national origin, ancestry, disability, age, or other status protected by law. The District also provides equal access to the Boy Scouts and other designated youth groups, as required by federal law.