

BOTTINEAU PUBLIC SCHOOL DISTRICT NO. 1
Bottineau, North Dakota

AUDIT REPORT
For the Year Ended June 30, 2020

BOTTINEAU PUBLIC SCHOOL DISTRICT NO. 1
Bottineau, North Dakota

TABLE OF CONTENTS
For the Year Ended June 30, 2020

	<u>Page</u>
School Officials	1
Independent Auditor's Report	2
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	5
Statement of Activities.....	6
Balance Sheet - Governmental Funds	7
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	8
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	9
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	10
Statement of Assets and Liabilities - Fiduciary Funds	11
Notes to the Financial Statements	12
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	35
Schedules of District's Share of Net Pension Liability	36
Schedules of District's Contributions	37
Schedule of District's Share of Net OPEB Liability ND Public Employees Retirement System.....	38
Schedule of District Contributions ND Public Employees Retirement System.....	39
Notes to Required Supplementary Information	40
SUPPLEMENTARY INFORMATION	
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	42
Schedule of Findings and Responses	44

BOTTINEAU PUBLIC SCHOOL DISTRICT NO. 1
Bottineau, North Dakota

SCHOOL OFFICIALS

At June 30, 2020

<u>Official</u>	<u>Position</u>
Matt Johnson	Board President
Stuart Coleman	Board Vice-President
Katie Tofteland	Board Member
David Agnes	Board Member
Mike Haberman	Board Member
Chuck Neubauer	Board Member
Laura Halvorson	Board Member
Pat Brenden	Superintendent
Deborah Nelson	Business Manager

LERVIK
&
JOHNSON

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

School Board
Bottineau Public School District No. 1
Bottineau, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Bottineau Public School District No. 1, Bottineau, North Dakota, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Bottineau Public School District No. 1, Bottineau, North Dakota, as of June 30, 2020, and the respective changes in financial position in accordance with accounting principles generally accepted in the United States of America.

Other Matters

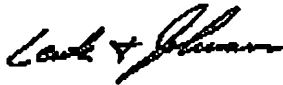
Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 35, the schedule of district's share of net pension liability for the last ten fiscal years on page 36, the schedule of the district's contributions for the last ten fiscal years on page 37, schedules of district's share of net OPEB liability ND public employees' retirement system for the last 10 fiscal years on page 38, schedules of district contributions ND public employees' retirement system for the last 10 fiscal years on page 39, and the related notes on page 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financials statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2020, on our consideration of Bottineau Public School District No. 1'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 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 internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bottineau Public School District No. 1's internal control over financial reporting and compliance.



LERVIK & JOHNSON
Certified Public Accountants
Bottineau, North Dakota

December 1, 2020

BOTTINEAU PUBLIC SCHOOL DISTRICT NO. 1
Bottineau, North Dakota

STATEMENT OF NET POSITION
June 30, 2020

ASSETS:

Current Assets:

Cash	\$ 4,915,659.52
Investments	1,924,878.67
Taxes Receivable	274,815.22
Due from Local Sources	18,844.08
Due from State Government	82,032.84
Due from Federal Government	191,487.34
	7,407,717.67

Total Current Assets

Capital Assets (Net of Accumulated Depreciation):

Buildings	286,451.44
Equipment	2,023,825.89
Construction in Progress	8,204,633.80
	10,514,911.13

Total Capital Assets

Total Assets

DEFERRED OUTFLOWS OF RESOURCES:

Deferred Outflows Relating to Pensions and OPEB	1,776,583.73
	1,776,583.73

LIABILITIES:

Current Liabilities:

Accounts Payable	403,876.79
Current Portion of Long-Term Debt	466,472.46
	870,349.25

Total Current Liabilities

Noncurrent Liabilities:

Long-Term Debt, Net of Current Portion	7,700,699.21
Premium on Bonds Payable	2,901.21
Compensated Absences Payable	33,752.98
	7,737,353.40

Net Pension and OPEB Liability	9,208,921.00
	16,946,274.40

Total Noncurrent Liabilities

Total Liabilities

DEFERRED INFLOWS OF RESOURCES:

Deferred Inflows Relating to Pensions and OPEB	1,646,423.00
	1,646,423.00

NET POSITION:

Net Investment in Capital Assets	2,344,838.25
Restricted for:	
Capital Projects	381,965.80
Debt Service	16,788.53
Unrestricted	(2,507,426.70)
	236,165.88

Total Net Position

The accompanying notes are an integral part of these financial statements.

BOTTINEAU PUBLIC SCHOOL DISTRICT NO. 1
Bottineau, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

	Program Revenues		Net (Expense) Revenue and Changes In Net Position	
	Charges for Services	Operating Grants and Contributions		
Expenses				
GOVERNMENTAL ACTIVITIES:				
Regular Programs	\$ 4,416,554.92	\$ 3,060.00	\$ 4,797.00	\$ (4,408,697.92)
Special Education	769,259.86	45,172.85	2,821.75	(721,265.26)
Vocational Education	537,256.41	-	94,233.71	(443,022.70)
Federal Programs	400,442.23	-	369,800.77	(30,641.46)
District Wide Services	347,032.78	-	-	(347,032.78)
Other Programs & Services	111,298.30	52,458.88	-	(58,839.42)
Administration	726,798.97	-	-	(726,798.97)
Operations and Maintenance	946,543.24	-	-	(946,543.24)
Food Service	545,583.58	144,888.40	193,817.75	(206,877.43)
Transportation	486,724.04	-	334,734.75	(151,989.29)
Student Activities	348,242.33	-	-	(348,242.33)
Interest	63,569.39	-	-	(63,569.39)
Total Governmental Activities	\$ 9,699,306.05	\$ 245,580.13	\$ 1,000,205.73	\$ (8,453,520.19)
<u>General Revenues:</u>				
Property Taxes				3,160,418.63
Oil & Gas Tax Revenue				519,256.93
State aid-not restricted to specific programs				4,782,264.80
Earnings on investments and miscellaneous revenue				97,629.11
Total General Revenues				8,559,569.47
Change in Net Position				106,049.28
Net Position - July 1				130,116.60
Net Position - June 30				\$ 236,165.88

The accompanying notes are an integral part of these financial statements.

BOTTINEAU PUBLIC SCHOOL DISTRICT NO. 1
Bottineau, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2020

	General	Special Revenue	Capital Projects	Debt Service	Total Governmental Funds
ASSETS:					
Current Assets:					
Cash	\$ 1,251,533.98	\$ 4,992.23	\$ 3,644,628.66	\$ 14,504.65	\$ 4,915,659.52
Investments	836,592.36	-	1,088,286.31	-	1,924,878.67
Taxes Receivable	212,608.91	-	27,091.64	35,114.67	274,815.22
Due from Local Sources	14,992.90	-	1,567.30	2,283.88	18,844.08
Due from State Government	82,032.84	-	-	-	82,032.84
Due from Federal Government	191,487.34	-	-	-	191,487.34
Total Assets	\$ 2,589,248.33	\$ 4,992.23	\$ 4,761,573.91	\$ 51,903.20	\$ 7,407,717.67
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:					
Current Liabilities:					
Accounts Payable	\$ 14,773.94	\$ 83.80	\$ 389,019.05	\$ -	\$ 403,876.79
Total Current Liabilities	14,773.94	83.80	389,019.05	-	403,876.79
Deferred Inflows of Resources:					
Property Taxes Uncollected	212,608.91	-	27,091.64	35,114.67	274,815.22
FUND BALANCES:					
Restricted	-	-	381,965.80	16,788.53	398,754.33
Committed	-	-	3,963,497.42	-	3,963,497.42
Assigned	113,229.27	4,908.43	-	-	118,137.70
Unassigned	2,248,636.21	-	-	-	2,248,636.21
Total Fund Balances	2,361,865.48	4,908.43	4,345,463.22	16,788.53	6,729,025.66
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,589,248.33	\$ 4,992.23	\$ 4,761,573.91	\$ 51,903.20	\$ 7,407,717.67

The accompanying notes are an integral part of these financial statements.

BOTTINEAU PUBLIC SCHOOL DISTRICT NO. 1
Bottineau, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2020

Total Fund Balances for Governmental Funds \$ 6,729,025.66

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources, so are not reported in the governmental funds.

Cost of Capital Assets	21,454,514.97	
Less Accumulated Depreciation	<u>(10,939,603.84)</u>	
Net Capital Assets		10,514,911.13

Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the governmental funds. 274,815.22

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the Statement of Net Position.

Balances at June 30, 2020 are:

Long-Term Debt	(8,167,171.67)	
Compensated Absences	(33,752.98)	
Net Pension and OPEB Liability	<u>(9,208,921.00)</u>	(17,409,845.65)

Premiums on bonds payable are treated as other financing sources in the governmental funds, but are deferred to future periods in the Statement of Net Position (amortized over the life of the bonds). (2,901.21)

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.

Deferred Outflows of Resources Related to Pensions and OPEB	1,776,583.73	
Deferred Inflows of Resources Related to Pensions and OPEB	<u>(1,646,423.00)</u>	

Total Net Position of Governmental Activities \$ 236,165.88

The accompanying notes are an integral part of these financial statements.

BOTTINEAU PUBLIC SCHOOL DISTRICT NO. 1
Bottineau, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	General	Special Revenue	Capital Projects	Debt Service	Total Governmental Funds
Revenues:					
Local Sources	\$ 2,989,371.72	\$ 156,471.74	\$ 328,329.18	\$ 451,866.92	\$ 3,926,039.56
State Sources	5,206,651.14	3,405.09	-	-	5,210,056.23
Federal Sources	382,001.64	190,412.66	-	-	572,414.30
Other Sources	52,458.88	-	-	-	52,458.88
Total Revenues	8,630,483.38	350,289.49	328,329.18	451,866.92	9,760,968.97
Expenditures:					
Current:					
Regular Programs	4,123,741.99	-	-	-	4,123,741.99
Special Education	738,367.80	-	-	-	738,367.80
Vocational Education	515,784.06	-	-	-	515,784.06
Federal Programs	384,637.54	-	-	-	384,637.54
District Wide Services	327,576.79	-	-	-	327,576.79
Other Programs and Services	111,298.30	-	-	-	111,298.30
Administration	683,358.41	-	-	-	683,358.41
Operations and Maintenance	707,014.84	-	164,117.58	-	871,132.42
Food Service	-	518,834.09	-	-	518,834.09
Transportation	387,093.96	-	-	-	387,093.96
Student Activities	295,291.98	-	-	-	295,291.98
Capital Outlay	46,411.60	-	7,888,733.69	-	7,935,145.29
Debt Service:					
Principal	58,267.00	-	56,733.00	402,828.33	517,828.33
Interest	6,542.50	-	-	57,250.06	63,792.56
Total Expenditures	8,385,386.77	518,834.09	8,109,584.27	460,078.39	17,473,883.52
Excess of Revenues Over (Under) Expenditures	245,096.61	(168,544.60)	(7,781,255.09)	(8,211.47)	(7,712,914.55)
Other Financing Sources (Uses):					
Transfers In	-	170,000.00	187,305.83	25,000.00	382,305.83
Transfers Out	(407,305.83)	-	-	-	(407,305.83)
Long-Term Debt Proceeds	-	-	8,210,000.00	-	8,210,000.00
Total Other Financing Sources (Uses)	(407,305.83)	170,000.00	8,397,305.83	25,000.00	8,185,000.00
Net Change in Fund Balances	(162,209.22)	1,455.40	616,050.74	16,788.53	472,085.45
Fund Balance - July 1	2,524,074.70	3,453.03	3,729,412.48	-	6,256,940.21
Fund Balance - June 30	\$ 2,361,865.48	\$ 4,908.43	\$ 4,345,463.22	\$ 16,788.53	\$ 6,729,025.66

The accompanying notes are an integral part of these financial statements.

BOTTINEAU PUBLIC SCHOOL DISTRICT NO. 1
Bottineau, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Net Change in Fund Balances-Total Governmental Funds \$ 472,085.45

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Current Year Capital Outlay	7,935,145.29	
Current Year Depreciation Expense	<u>(251,622.97)</u>	
		7,683,522.32

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

Net Increase in Compensated Absences (10,105.49)

Repayment of noncurrent liabilities is an expenditure in the governmental funds, but the repayment reduces noncurrent liabilities in the Statement of Net Position. Additionally, premiums or discounts related to the debt are included on the Statement of Net Position and amortized to interest expense over the life of the debt in the Statement of Activities.

Amortization of Bond Premium	223.17	
Principal Payments of Long-Term Debt	517,828.33	
Proceeds of Long-Term Debt	<u>(8,210,000.00)</u>	
		(7,691,948.50)

Some revenues reported in the Statement of Activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the increase in taxes receivable.

44,386.36

Governmental funds report district pension and OPEB contributions as expenditures. However, in the Statement of Activities, the cost of pension and OPEB benefits earned net of employer contribution is reported as pension and OPEB expense.

(391,890.86)

Net change in Net Position of Governmental Activities \$ 106,049.28

The accompanying notes are an integral part of these financial statements.

BOTTINEAU PUBLIC SCHOOL DISTRICT NO. 1
Bottineau, North Dakota

STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
June 30, 2020

ASSETS:

Current Assets:

Cash and Investments \$ 343,507.33

LIABILITIES:

Current Liabilities:

Accounts Payable 696.35

Due to Student Activities Groups 342,810.98

Total Liabilities 343,507.33

NET POSITION:

Unrestricted \$ -

The accompanying notes are an integral part of these financial statements.

BOTTINEAU PUBLIC SCHOOL DISTRICT NO. 1
Bottineau, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the school district have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

The accompanying financial statements present the activities of the Bottineau Public School District No. 1. The school district has considered all potential component units for which the school district is financially accountable and other organizations for which the nature and significance of their relationships with the school district are such that exclusion would cause the school district's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body or an organization being fiscally dependent and (1) the ability of the Bottineau Public School District No. 1 to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, Bottineau Public School District No. 1.

Based on these criteria, there are no component units to be included within the Bottineau Public School District No. 1 as a reporting entity.

B. Financial Statement Presentation

Government-wide financial statements: The Statement of Net Position and the Statement of Activities display information about the primary government, Bottineau Public School District. These statements include the financial activities of the overall government, except fiduciary activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The Statement of Net Position presents the school district's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the school district's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including taxes, are presented as general revenues.

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

Fund Financial Statements: Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Any remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The school district reports the following major governmental funds:

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

Special Revenue Fund. This is the school district's hot lunch operating fund. It accounts for all financial resources related to food service.

Capital Projects Funds. This the school district's financial resources fund. It accounts for the acquisition, construction, maintenance and insurance of major facilities.

Debt Service Fund. The debt service fund is used to account for financial resources to be used for the repayment of principal and interest on long-term debt.

The school district does not have any nonmajor governmental funds.

The school district reports the following fiduciary fund types:

Agency Fund. This fund accounts for assets held by the school district in a custodial capacity as an agent on behalf of others. The school district's agency fund is used to account for various deposits of the student activity funds.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe how transactions are recorded within the various financial statements, and include the economic resources measurement focus and the current financial resources measurement focus.

Economic resources measurement focus: The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial or non-financial) are reported in the financial statements.

Current financial resources measurement focus: Under this measurement focus, only current financial assets and liabilities are generally included on the balance sheet. The operating statements present sources and uses of available, spendable financial resources during any given period. Using the current financial resources measurement focus, principal and interest on long-term debt, claims and judgments, and compensated absences are recorded as expenditures only when payment is due. This measurement focus also requires capital asset acquisitions to be reported as expenditures, and proceeds of general long-term debt and acquisitions under capital leases to be reported as other financing sources.

Basis of accounting refers to **when** the transactions are recorded, regardless of the measurement focus applied. The school district uses the accrual and the modified accrual bases of accounting, as discussed below.

Government-wide Financial Statements

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

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting in the governmental fund financial statements. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the school district considers revenue to be available if they are collected within 60 days after year-end. All revenues are considered to be susceptible to accrual.

Under the modified accrual basis of accounting, expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, differences exist from accrual accounting related primarily to payments involving long-term assets and liabilities. These differences were discussed above in the explanation of the current financial resources measurement focus.

D. Budgets

Based upon available financial information and requests by the school board, the business manager prepares the school district budget. The budget is prepared for the general fund on the modified accrual basis of accounting. The budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year-end.

School district taxes must be levied by the governing board on or before the fifteenth day of August. The taxes levied must be certified to the county August 25. The governing body of the school district may amend its tax levy and budget of the current fiscal year on or before the tenth day of October of each year, but the certification must be filed with the county auditor by October 10. The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.

E. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits, money market accounts and certificates of deposit with original maturities of three months or less. These amounts must be deposited with Bank of North Dakota or in a financial institution situated and doing business within this state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the uninsured balance.

State statutes authorize the school district to invest 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 or the state.
- d) Obligations of the state.

F. Interfund Transactions

In the governmental fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

In the government-wide financial statements, interfund transactions have been eliminated.

G. Capital Assets

Capital assets include plant and equipment, and are reported in the government-wide financial statements. Capital assets are defined by the school district as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

Buildings	30 years
Equipment	8 to 20 years

H. Noncurrent Obligations

Noncurrent obligations include long-term debt, compensated absences and net pension liabilities. In the government-wide financial statements, non-current obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond premiums or discounts are capitalized and amortized over the term of the related obligation. Bond issuance costs are recorded as expenditures when paid.

Long-Term Debt

With respect to the presentation of governmental funds in the governmental fund financial statements, the face amount of debt issued is reported as another financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Compensated Absences

Compensated absences consists of annual leave which is compensated at termination of employment at the employee's daily pay rate. The liability for the portion of compensated absences related to annual leave is reported in the government-wide Statement of Net Position.

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 the North Dakota Public Employees Retirement System (NDPERS), and additions to/deductions from TFFR's and NDPERS' fiduciary net position have been determined on the same basis as they are reported by TFFR and NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post Employment Benefit (OPEB)

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

I. Fund Equity

Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as non-spendable, restricted, committed, assigned or unassigned.

Non-spendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation.

Committed Fund Balance - represents amounts that can only be used for specific purposes imposed by a formal action of the school district's highest level of decision-making authority, the school board. Committed resources cannot be used for any other purpose unless the school board removes or changes the specified use by the same type of action previously used to commit those amounts, either by resolution or by ordinance.

Assigned Fund Balance - represents amounts the school district intends to use for specific purposes as expressed by the school board or an official delegated the authority to assign amounts. This is the residual classification for all governmental funds other than the general fund. As of June 30, 2020, the school board has not granted any official the right to assign amounts to a specific purpose.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the school district's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications - committed, assigned and then unassigned fund balances. The school district has not established a policy for its use of unrestricted fund balance amounts. As such, it considers committed amounts to be reduced first, followed by assigned amounts, and then by unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

NOTE 2: CASH AND INVESTMENTS

The school district's deposits at year-end were entirely covered by federal depository insurance or by collateral held by the school district's agent in the school district's name. The investments of the school district during the year ended June 30, 2020 consisted of certificates of deposit stated at cost.

Custodial and Concentration of credit risk:

For deposits and investments, the custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the school district will not be able to recover collateral securities that are in the possession of an outside party. As discussed in Note 1-E, state statutes require the market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. As discussed above, the school district's deposits were adequately protected by insurance or collateral during the current fiscal year. These deposits are Category 1 deposits that include insured and registered investments for which the securities are held by the school district.

Interest rate risk:

Generally, the longer the maturity period of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance with its investment policy, the school district invests its operating funds primarily in short term certificates of deposit and limits the average maturity in accordance with the school district's cash requirements.

NOTE 3: TAXES RECEIVABLE

The taxes receivable represents the past three years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes receivable.

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material tax collections are distributed after the end of each month.

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes and all the special assessments and the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed. Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15th and receive the discount on the property taxes.

NOTE 4: DUE FROM LOCAL SOURCES

The amount due from local sources consists of the cash on hand for taxes collected but not remitted to the school district at June 30 and other money due from miscellaneous local sources.

NOTE 5: DUE FROM STATE GOVERNMENT

The amount due from state government consists of vocational payments.

NOTE 6: DUE FROM FEDERAL GOVERNMENT

The amount due from federal government consists of the final reimbursement claims from Title I, 21st Century and ESSER

NOTE 7: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2020:

	Balance 7/1/2019	Increases	Deletions	Balance 6/30/2020
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Construction in Progress	\$ 511,377.11	\$ 7,693,256.69	\$ -	\$ 8,204,633.80
<i>Capital Assets Being Depreciated:</i>				
Buildings	\$ 8,379,193.00	\$ -	\$ -	\$ 8,379,193.00
Equipment	4,628,799.57	241,888.60	-	4,870,688.17
Total Capital Assets, Being Depreciated	13,007,992.57	241,888.60	-	13,249,881.17
<i>Less Accumulated Depreciation For:</i>				
Buildings	8,074,151.46	18,590.10	-	8,092,741.56
Equipment	2,613,829.41	233,032.87	-	2,846,862.28
Total Accumulated Depreciation	10,687,980.87	251,622.97	-	10,939,603.84
Total Capital Assets Being Depreciated, Net	\$ 2,320,011.70	\$ (9,734.37)	\$ -	\$ 2,310,277.33

Depreciation expense was charged to functions/programs of the school district as follows:

<u>Governmental Activities:</u>	
Regular Programs	\$ 119,671.74
Transportation	74,348.26
Operations and Maintenance	45,111.57
Food Service	3,336.80
District Wide	6,536.97
Student Activities	2,617.63
Total Depreciation- Governmental Activities	<u>\$ 251,622.97</u>

NOTE 8: ACCOUNTS PAYABLE

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

NOTE 9: DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Like revenues and expenses, deferrals represent flows of resources into and out of a government during the fiscal year. However, unlike revenues and expenses, which are inflows and outflows of resources related to the period in which they occur, deferrals are related to future periods.

Deferred inflows and outflows on the school district's statement of net position are related to the determination of the school district's net pension & OPEB liability and pension & OPEB expense, as detailed in Note 13 and 14.

Deferred inflows of resources on the fund financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting such amounts are measurable but not available. The school district's only deferred inflow of financial resources on its fund financial statements is uncollected property taxes, which are not expected to be collected within the allotted 60 day time period after year end in order to qualify as available under the school district's policy.

NOTE 10: NONCURRENT LIABILITIES

During the year-ended June 30, 2020, the following changes occurred in noncurrent liabilities:

	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020
Long-Term Debt	\$ 475,000.00	\$ 8,210,000.00	\$ 517,828.33	\$ 8,167,171.67
Compensated Absences	23,647.49	10,105.49	-	33,752.98
	<u>\$ 498,647.49</u>	<u>\$ 8,220,105.49</u>	<u>\$ 517,828.33</u>	<u>\$ 8,200,924.65</u>

Current due within one year:

Long-Term Debt \$ 466,472.46

Long-Term Debt:

Limited Tax Bonds, Series 2013

On June 5, 2013, the school district issued \$1,150,000.00 in Limited Tax Bonds, Series 2013. The net proceeds included a premium of \$4,463.40. The bond payable and its related premium were recorded in noncurrent liabilities on the school district's statement of net position.

The premium was capitalized and is being amortized to interest expense on a straight-line basis (as the difference between the straight-line and effective interest methods was immaterial). The amount amortized in the current year was \$223.17.

General Obligation School Building Bonds, Series 2019

On December 11, 2018, the school district approved the issuance of \$7,560,000.00 General Obligation School Building Bonds, Series 2019, for the purpose of constructing, remodeling, improving and equipping school buildings and to make site improvements to school property, including construction of Pre-K through 2 addition onto the existing grade 3 through grade 12 building. The bonds are dated August 1, 2019, with annual payments commencing on May 1, 2020 through 2039, of \$456,473.13, including interest at 2%. The bond proceeds are included in capital projects fund and will be paid for by the debt service fund, and are payable from the levy of general obligation ad valorem tax against all the taxable property located within the district.

State Aid Certificate of Indebtedness, Series 2020

On April 16, 2020 the school district approved the issuance of \$650,000.00 State Aid Certificate of Indebtedness, Series 2020 for the purpose of financing a school parking lot project. This certificate was issued on June 1, 2020 with annual payments commencing on December 1, 2020 through 2039, of \$39,368.64 including interest at 2%. The bond proceeds are included in the capital projects fund and will be paid from the school district's allocation of Oil and Gas Gross Production Tax, commencing July 1, 2020 and the first day of each month thereafter until all principal and interest due is paid in full.

The North Dakota State Treasurer will deposit all of the monthly GPT allocation with the State Board of University and School Lands until that year's annual principal and interest payment due is fully funded then the remaining allocation will be paid to the school district.

Outstanding debt at June 30, 2020 consists of the following issues:

\$1,150,000.00 Limited Tax Bonds Series 2013 dated June 5, 2013 due in annual installments of \$110,000.00 to \$120,000.00, due on August 1, 2016 through 2023, with interest at 1.338% per annum due semimonthly on February 1 and August 1, commencing February 1, 2016.	\$ 360,000.00
\$7,560,000.00 General Obligation School Building Bond, Series 2019 dated August 1, 2019 due in Annual installments of \$456,473.13 due on May 1, 2020 Through 2039 with interest at 2%.	7,157,171.67
\$650,000.00 State Aid Certificate of Indebtedness, Series 2020 dated June 1, 2020 due in annual Installments of \$39,368.64 due on December 1, 2020 Through 2039 with interest at 2%.	<u>650,000.00</u>
	<u>8,167,171.67</u>
Current Portion	<u>(466,472.06)</u>
Net Long-Term Debt Portion	<u>\$7,700,699.61</u>

As of June 30, 2020, future payments on long-term debt are as follows:

LONG-TERM DEBT			
Year Ending June 30	Principal	Interest	Total
2021	\$ 466,472.46	\$ 154,589.31	\$ 621,061.77
2022	466,627.79	152,873.98	619,501.77
2023	473,560.34	144,201.43	617,761.77
2024	360,631.55	135,210.22	495,841.77
2025	367,844.18	127,997.59	495,841.77
2026-2030	1,952,561.38	526,647.47	2,479,208.85
2031-2035	2,155,785.57	323,423.28	2,479,208.85
2036-2039	1,923,688.40	99,047.46	2,022,735.86
Totals	<u>\$ 8,167,171.67</u>	<u>\$ 1,663,990.74</u>	<u>\$ 9,831,162.41</u>

NOTE 11: FUND BALANCE

Fund balance as of June 30, 2020 is as follows:

	General	Special Revenue	Capital Projects	Debt Service	Total
Fund Balances:					
Restricted					
Capital Projects	\$ -	\$ -	\$ 381,965.80	\$ -	\$ 381,965.80
Debt Service	-	-	-	16,788.53	16,788.53
Committed					
Capital Projects	-	-	3,963,497.42	-	3,963,497.42
Assigned					
Character Counts	113,229.27	-	-	-	113,229.27
Food Service	-	4,908.43	-	-	4,908.43
Unassigned	<u>2,248,636.21</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,248,636.21</u>
	<u>\$ 2,361,865.48</u>	<u>\$ 4,908.43</u>	<u>\$ 4,345,463.22</u>	<u>\$ 16,788.53</u>	<u>\$ 6,729,025.66</u>

monthly GPT allocation with the State Board of University and School Lands until that year's annual principal and interest payment due is fully funded then the remaining allocation will be paid to the school district.

Outstanding debt at June 30, 2020 consists of the following issues:

\$1,150,000.00 Limited Tax Bonds Series 2013 dated June 5, 2013 due in annual installments of \$110,000.00 to \$120,000.00, due on August 1, 2016 through 2023, with interest at 1.338% per annum due semimonthly on February 1 and August 1, commencing February 1, 2016.	\$ 360,000.00
\$7,560,000.00 General Obligation School Building Bond, Series 2019 dated August 1, 2019 due in Annual installments of \$456,473.13 due on May 1, 2020 Through 2039 with interest at 2%.	7,157,171.67
\$650,000.00 State Aid Certificate of Indebtedness, Series 2020 dated June 1, 2020 due in annual Installments of \$39,368.64 due on December 1, 2020 Through 2039 with interest at 2%.	<u>650,000.00</u>
	<u>8,167,171.67</u>
Current Portion	<u>(466,472.06)</u>
Net Long-Term Debt Portion	<u>\$7,700,699.61</u>

As of June 30, 2020, future payments on long-term debt are as follows:

LONG-TERM DEBT			
Year Ending June 30	Principal	Interest	Total
2021	\$ 466,472.46	\$ 154,589.31	\$ 621,061.77
2022	466,627.79	152,873.98	619,501.77
2023	473,560.34	144,201.43	617,761.77
2024	360,631.55	135,210.22	495,841.77
2025	367,844.18	127,997.59	495,841.77
2026-2030	1,952,561.38	526,647.47	2,479,208.85
2031-2035	2,155,785.57	323,423.28	2,479,208.85
2036-2039	1,923,688.40	99,047.46	2,022,735.86
Totals	<u>\$ 8,167,171.67</u>	<u>\$ 1,663,990.74</u>	<u>\$ 9,831,162.41</u>

NOTE 11: FUND BALANCE

Fund balance as of June 30, 2020 is as follows:

	General	Special Revenue	Capital Projects	Debt Service	Total
Fund Balances:					
Restricted					
Capital Projects	\$ -	\$ -	\$ 381,965.80	\$ -	\$ 381,965.80
Debt Service	-	-	-	16,788.53	16,788.53
Committed					
Capital Projects	-	-	3,963,497.42	-	3,963,497.42
Assigned					
Character Counts	113,229.27	-	-	-	113,229.27
Food Service	-	4,908.43	-	-	4,908.43
Unassigned	<u>2,248,636.21</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,248,636.21</u>
	<u>\$ 2,361,865.48</u>	<u>\$ 4,908.43</u>	<u>\$ 4,345,463.22</u>	<u>\$ 16,788.53</u>	<u>\$ 6,729,025.66</u>

NOTE 12: TRANSFERS AND INTERFUND RECEIVABLE/PAYABLE

The general fund transferred \$170,000.00 to the special revenue fund to pay for food service expenses, \$187,305.83 to capital projects for capital improvements and repairs \$25,000.00 to the debt service fund for bond payments and \$25,000.00 to the activity fund to help with expenses.

NOTE 13: PENSION PLANS

The school district has two employee pension plans, the North Dakota Teachers' Fund for Retirement (TFFR) and the North Dakota Public Employees Retirement System (NDPERS).

North Dakota Teachers' Fund for Retirement

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70%. 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.

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (All Plans)

At June 30, 2020, the school district reported a total liability of \$9,109,742.00 (\$7,557,133.00 for its proportionate share of TFFR's net pension liability and \$1,552,609.00 for its proportionate share of NDPERS' net pension liability). The net pension liabilities for both plans were measured as of July 1, 2019, and the total pension liability used to calculate the net pension liability for each plan was determined by an actuarial valuation as of that date.

For TFFR, the school district's proportion of the net pension liability was based on the school district's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2019, the school district's proportion related to TFFR was 0.548711 percent, which was a decrease of 0.007956 percent from its proportion measured as of July 1, 2018.

Related to NDPERS, the school district's proportion of the net pension liability was based on the school district's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating NDPERS Main System employers. At July 1, 2019 the school district's proportion related to NDPERS was 0.132467 percent, which was an increase of 0.000045 percent from its proportion measured as of July 1, 2018.

For the year ended June 30, 2020 the school district recognized total pension expense of \$979,605.00, (\$721,805.00 related to TFFR and \$257,800.00 related to NDPERS). At June 30, 2020 the school district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TFFR		NDPERS		TOTAL	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,791.00	\$ 272,740.00	\$ 920.00	\$ 281,769.00	\$ 11,711.00	\$ 554,509.00
Changes of assumption	268,593.00	-	580,169.00	498,125.00	848,762.00	498,125.00
Net difference between projected and actual earnings on pension plan investments	106,375.00	-	27,050.00	-	133,425.00	-
Changes in proportion and differences between district contributions and proportionate share of contributions	159,986.00	491,574.00	8,915.00	92,268.00	168,901.00	583,842.00
District contributions subsequent to the measurement date	480,494.95	-	102,499.41	-	582,994.36	-
Total	\$ 1,026,239.95	\$ 764,314.00	\$ 719,553.41	\$ 872,162.00	\$ 1,745,793.36	\$ 1,636,476.00

\$582,994.36 (\$480,494.95 from TFFR and \$102,499.41 from NDPERS) reported as deferred outflows of resources related to pensions resulting from the school district's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

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

Year Ended June 30:	TFFR	NDPERS	TOTAL
2020	\$ 80,893.00	\$ 26,563.00	\$ 107,456.00
2021	(98,465.00)	(15,144.00)	(113,609.00)
2022	(109,049.00)	(73,947.00)	(182,996.00)
2023	(35,723.00)	(147,950.00)	(183,673.00)
2024	(23,059.00)	(441,630.00)	(464,689.00)
Thereafter	(33,156.00)	-	(33,156.00)

Actuarial assumptions:

The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	TFFR	NDPERS
Inflation	2.75%	2.50%
Salary Increases	4.25% to 14.50%, varying by service, including inflation and productivity	See Below
Investment rate of return	7.75%, net of investment expenses	7.50%, net of investment expenses
Cost-of-living adjustments	None	None
		NDPERS Salary Increases:
		Service at Beginning
		of Year:
		0
		1
		2
		Age*
		Under 30
		30-39
		40-49
		50-59
		60+
		Increase Rate:
		15.00%
		10.00%
		8.00%
		10.00%
		7.50%
		6.75%
		6.50%
		5.25%

*Age-based salary increase rates apply for employees with three or more years of service

TFFR specific actuarial assumptions:

For active and inactive members, mortality rates were based on the RP-2014 Employee Mortality Table, projected generationally using Scale MP-2014. For healthy retirees, mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table set back one year, multiplied by 50% for ages under 75 and grading up to 100% by age 80, projected generationally using Scale MP-2014. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table set forward four years.

The actuarial assumptions used were based on the results of an actuarial experience study dated April 30, 2015. They are the same as the assumptions used in the July 1, 2017 funding actuarial valuation for TFFR.

As a result of the April 30, 2015 actuarial experience study, the TFFR Board adopted several assumption changes, including the following:

- 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.
-

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of July 1, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58%	6.9%
Global Fixed Income	23%	2.1%
Global Real Assets	18%	5.4%
Cash Equivalents	1%	0.0%

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2019. 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, 2019 Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of July 1, 2019. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.

NDPERS specific actuarial assumptions:

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table set back one year for males (no setback for females) multiplied by 125%.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.25%
International Equity	21%	6.95%
Private Equity	7%	10.15%
Domestic Fixed Income	23%	2.11%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.41%
Cash Equivalents	0%	0.00%

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.13%; and the resulting Single Discount Rate is 7.50%.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate (All Plans)

The following presents the school district's proportionate share of the net pension liability calculated using the current discount rates for TFFR and NDPERS, as well as what the school district's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>District's Proportionate Share of Net Pension Liability</u>		
	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
TFFR	\$ 10,205,985.00	\$ 7,557,133.00	\$ 5,355,870.00
	<u>1% Decrease (6.50%)</u>	<u>Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
NDPERS	\$ 2,226,107.00	\$ 1,552,609.00	\$ 986,753.00

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR and NDPERS financial reports.

TFFR's Comprehensive Annual Financial Report (CAFR) is located at www.nd.gov/rio/sib/publications/cafr/default.htm.

NOTE 14: Other Post Employment Benefits (OPEB)

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds.

Beginning January 1, 2020, members first enrolled in the NDPERS Main System the Deferred Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

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

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

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

At June 30, 2020, the school district reported a liability of \$99,179.00 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of July 1, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The school district's proportion of the net OPEB liability was based on the school district's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At July 1, 2019 the school district's proportion was 0.123482 percent a decrease of 0.000844.

For the year ended June 30, 2020, the school district recognized OPEB expense of \$12,139.00. At June 30, 2020, the school district reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,449.00	\$ 3,098.00
Changes of assumption	11,820.00	-
Net difference between projected and actual earnings on OPEB plan investments	110.00	-
Changes in proportion and differences between district contributions and proportionate share of contributions	-	6,849.00
District contributions subsequent to the measurement date	<u>16,411.37</u>	<u>-</u>
Total	<u>\$ 30,790.37</u>	<u>\$ 9,947.00</u>

\$16,411.37 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020.

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

	OPEB
Year Ended June 30:	
2020	\$ 477.00
2021	477.00
2022	1,400.00
2023	1,231.00
2024	402.00
Thereafter	445.00

Actuarial assumptions:

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>OPEB</u>
Inflation	2.50%
Salary Increases	Not applicable
Investment rate of return	7.25%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	6.00%
Small Cap Domestic Equities	6%	7.30%
International Equities	21%	6.95%
Core-Plus Fixed Income	40%	2.07%

Discount rate. The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the school district's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the Plans as of June 30, 2019, calculated using the discount rate of 7.25%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

OPEB	Current Discount		
	1% Decrease (6.25%)	Rate (7.25%)	1% Increase (8.25%)
\$	126,589.00	\$ 99,179.00	\$ 75,716.00

NOTE 15: RISK MANAGEMENT

The Bottineau Public School District No. 1 is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Bottineau Public School District No. 1 pays an annual premium to NDIRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence.

The Bottineau Public School District No. 1 also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Bottineau Public School District No. 1 pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the political subdivision with blanket fidelity bond coverage in the amount of \$2,000,000.00 for its employees. The State Bonding Fund does not currently charge any premium for this coverage. The Bottineau Public School District No. 1 has insurance with North Dakota Workforce Safety and Insurance and purchases commercial insurance for employee health and accident insurance.

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

NOTE 16: TAX ABATEMENTS

The school district and political subdivisions within the county can negotiate property tax abatement agreements with individuals and various commercial entities/businesses. The school district and the political subdivisions within have the following types of tax abatement agreements with various individuals and commercial entities at June 30, 2020.

The county will state individually the parties who 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.

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 land 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.

Exemption Criteria

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.

2020 Reduction in Taxes - Due to Agreements with Other Entities

The total program reduction in taxes is not a material amount.

NOTE 17: SUBSEQUENT EVENTS

The school district has evaluated subsequent events through December 1, 2020, the date which the financial statements were available to be issued.

The construction of the Pre-K through 2 elementary school facility addition was completed in late August 2020. An open house and ribbon cutting were held on August 27, 2020.

BOTTINEAU PUBLIC SCHOOL DISTRICT NO. 1
Bottineau, North Dakota

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Local Sources	\$ 3,156,925.46	\$ 3,156,925.46	\$ 2,989,371.72	\$ (167,553.74)
State Sources	5,290,891.60	5,290,891.60	5,206,651.14	(84,240.46)
Federal Sources	391,497.60	418,109.70	382,001.64	(36,108.06)
Other Sources	57,095.30	57,095.30	52,458.88	(4,636.42)
Total Revenues	8,896,409.96	8,923,022.06	8,630,483.38	(292,538.68)
Expenditures:				
Current:				
Regular Programs	3,996,893.75	4,145,448.75	4,123,741.99	(21,706.76)
Special Education	761,472.82	761,472.82	738,367.80	23,105.02
Vocational Education	512,001.21	512,001.21	515,784.06	(3,782.85)
Federal Programs	391,228.60	402,894.70	384,637.54	18,257.16
Other Programs and Services	115,981.12	115,981.12	111,298.30	4,682.82
District Wide Services	388,284.94	388,284.94	327,576.79	60,708.15
Administration	627,986.11	627,986.11	683,358.41	(55,372.30)
Operations and Maintenance	705,116.48	705,116.48	707,014.84	(1,898.36)
Transportation	451,227.61	451,227.61	387,093.96	64,133.65
Student Activities	323,727.35	323,727.35	295,291.98	28,435.37
Capital Outlay			46,411.60	(46,411.60)
Debt Service:				-
Principal	58,267.00	58,267.00	58,267.00	-
Interest	7,865.00	7,865.00	6,542.50	1,322.50
Total Expenditures	8,340,051.99	8,500,273.09	8,385,386.77	114,886.32
Excess of Revenues Over (Under) Expenditures	556,357.97	422,748.97	245,096.61	(177,652.36)
Other Financing Sources (Uses):				
Transfers Out	(550,000.00)	(441,445.00)	(407,305.83)	(34,139.17)
Net Change in Fund Balance	6,357.97	(18,696.03)	(162,209.22)	(143,513.19)
Fund Balance - July 1	2,524,074.70	2,524,074.70	2,524,074.70	-
Fund Balance - June 30	\$ 2,530,432.67	\$ 2,505,378.67	\$ 2,361,865.48	\$ (143,513.19)

See accompanying notes to required supplementary information.

BOTTINEAU PUBLIC SCHOOL DISTRICT NO. 1
Bottineau, North Dakota

SCHEDULE OF DISTRICT'S SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

	As of and for the Year Ended June 30,					
	2020	2019	2018	2017	2016	2015
ND Teachers' Fund for Retirement:						
1. District's proportion of the net pension liability (asset)	0.548711%	0.556667%	0.538981%	0.578641%	0.599059%	0.606400%
2. District's proportionate share of the net pension liability (asset)	\$ 7,557,133.00	\$ 7,419,586.00	\$ 7,403,038.00	\$ 8,477,428.00	\$ 7,834,824.00	\$ 6,353,997.00
3. District's covered-employee payroll	\$ 3,849,361.00	\$ 3,784,276.00	\$ 3,637,965.00	\$ 3,759,574.00	\$ 3,684,839.00	\$ 3,517,441.00
4. District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	196.32%	196.06%	203.49%	225.49%	212.62%	180.64%
5. Plan fiduciary net position as a percentage of the total pension liability	65.50%	65.50%	63.20%	59.20%	62.10%	66.60%
As of and for the Year Ended June 30,						
ND Public Employees Retirement System:						
1. District's proportion of the net pension liability (asset)	0.132467%	0.132422%	0.139109%	0.144461%	0.151638%	0.142672%
2. District's proportionate share of the net pension liability (asset)	\$ 1,552,609.00	\$ 2,234,766.00	\$ 2,235,938.00	\$ 1,407,913.00	\$ 1,031,113.00	\$ 905,570.00
3. District's covered-employee payroll	\$ 1,377,880.00	\$ 1,360,392.00	\$ 1,420,084.00	\$ 1,455,823.00	\$ 1,350,911.00	\$ 1,201,842.00
4. District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	112.69%	164.27%	157.45%	96.71%	76.33%	75.35%
5. Plan fiduciary net position as a percentage of the total pension liability	71.66%	62.80%	61.98%	70.46%	77.15%	77.70%

* Complete data for these schedules is not available prior to 2015. The amounts presented for each fiscal year have a measurement date of the previous fiscal year end.

See accompanying notes to required supplementary information.

BOTTINEAU PUBLIC SCHOOL DISTRICT NO. 1
Bottineau, North Dakota

SCHEDULES OF DISTRICT'S CONTRIBUTIONS
LAST 10 FISCAL YEARS*

	As of and for the Year Ended June 30,					
	2020	2019	2018	2017	2016	2015
ND Teachers' Fund for Retirement:						
Statutorily required contribution	\$ 490,794.00	\$ 482,495.00	\$ 463,841.00	\$ 479,346.00	\$ 469,795.00	\$ 378,122.00
Contributions in relation to the statutorily required contribution	\$ (490,794.00)	\$ (482,495.00)	\$ (463,841.00)	\$ (479,346.00)	\$ (469,795.00)	\$ (378,122.00)
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered-employee payroll	\$ 3,849,361.00	\$ 3,784,276.00	\$ 3,637,965.00	\$ 3,759,574.00	\$ 3,684,839.00	\$ 3,517,441.00
Contributions as a percentage of covered-employee payroll	12.75%	12.75%	12.75%	12.75%	12.75%	10.75%

	As of and for the Year Ended June 30,					
	2020	2019	2018	2017	2016	2015
ND Public Employees Retirement System:						
Statutorily required contribution	\$ 100,318.00	\$ 100,199.00	\$ 102,973.00	\$ 105,399.00	\$ 102,612.00	\$ 85,571.00
Contributions in relation to the statutorily required contribution	\$ (95,991.00)	\$ (96,386.00)	\$ (87,074.00)	\$ (95,941.00)	\$ (90,830.00)	\$ (85,571.00)
Contribution deficiency (excess)	\$ 4,327.00	\$ 3,813.00	\$ 15,899.00	\$ 9,458.00	\$ 11,782.00	-
District's covered-employee payroll	\$ 1,377,880.00	\$ 1,360,392.00	\$ 1,420,084.00	\$ 1,455,823.00	\$ 1,350,911.00	\$ 1,201,842.00
Contributions as a percentage of covered-employee payroll	6.97%	7.09%	6.13%	6.59%	6.72%	7.12%

* Complete data for these schedules is not available prior to 2015.

See accompanying notes to required supplementary information.

BOTTINEAU PUBLIC SCHOOL DISTRICT NO. 1
Bottineau, North Dakota

SCHEDULE OF DISTRICT'S SHARE OF NET OPEB LIABILITY
ND PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST 10 FISCAL YEARS*

OPEB	As of and for the Year		
	2020	2019	2018
1. District's proportion of the net OPEB liability (asset)	0.123482%	0.124326%	0.131265%
2. District's proportionate share of the net OPEB liability (asset)	\$ 99,179.00	\$ 97,915.00	\$ 103,832.00
3. District's covered-employee payroll	\$ 1,377,880.00	\$ 1,360,392.00	\$ 1,420,084.00
4. District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	7.20%	7.20%	7.31%
5. Plan fiduciary net position as a percentage of the total OPEB liability	63.13%	61.89%	59.78%

* Complete data for these schedules is not available prior to 2017. The amounts presented for each fiscal year have a measurement date of the previous fiscal year end.

See accompanying notes to required supplementary information.

BOTTINEAU PUBLIC SCHOOL DISTRICT NO. 1
 Bottineau, North Dakota

SCHEDULE OF DISTRICT CONTRIBUTIONS
 ND PUBLIC EMPLOYEES RETIREMENT SYSTEM
 LAST 10 FISCAL YEARS*

OPEB	As of and for the Year		
	Ended June 30,		
	2020	2019	2018
Statutorily required contribution	\$ 16,025.00	\$ 15,957.00	\$ 16,507.00
Contributions in relation to the statutorily required contribution	\$ (15,368.00)	\$ (15,433.00)	\$ (13,942.00)
Contribution deficiency (excess)	\$ 657.00	\$ 524.00	\$ 2,565.00
District's covered-employee payroll	\$ 1,377,880.00	\$ 1,360,392.00	\$ 1,420,084.00
Contributions as a percentage of covered-employee payroll	1.12%	1.13%	0.98%

* Complete data for these schedules is not available prior to 2017.

See accompanying notes to required supplementary information.

BOTTINEAU PUBLIC SCHOOL DISTRICT NO. 1
Bottineau, North Dakota

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2020

NOTE 1: BUDGETARY COMPARISON SCHEDULE

Basis of Accounting:

Based upon available financial information and requests by the school board, the business manager prepares the school district budget. The budget is prepared for the general fund on the modified accrual basis of accounting. The budget includes the proposed expenditures and the means of financing them. The school district does not prepare a budget for the special reserve fund or debt service fund, as state law does not require a budget for those funds. Since a budget was not prepared, the statement comparing budget and actual results could not be prepared. All annual appropriations lapse at year-end.

Relevant Dates:

School district taxes must be levied by the governing board on or before the fifteenth day of August. The taxes levied must be certified to the county auditor by August 25. The governing body of the school district may amend its tax levy and budget of the current fiscal year on or before the tenth day of October of each year, but the certification must be filed with the county auditor by October 10. The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.

NOTE 2: AMENDED BUDGET

The governing board amended the budget for 2020 as follows:

	Original Budget	Amendments	Amended Budget
Revenues	\$8,896,409.96	\$8,923,022.06	\$ 26,612.10
Expenditures	\$8,340,051.99	\$8,500,273.09	\$ 160,221.10
Transfers Out	\$ 550,000.00	\$ 441,445.00	\$ (108,555.00)

NOTE 3: PENSION PLANS

TFFR Changes of Assumptions. Amounts related to TFFR reported in 2016 and late reflect the following actuarial assumption changes based on the results of an actuarial experience study dated April 30, 2015.

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

NDPERS Changes of Benefit Terms. The interest rate earned on member contributions will decrease from 7.25 percent to 7.00 percent effective January 1, 2020 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

Changes of assumptions. The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

*The investment return assumption was lowered from 7.75% to 7.50%.

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.

NOTE 4: OTHER POST EMPLOYMENT BENEFITS (OPEB)

Changes of Benefits. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

Changes of assumptions. The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

*The investment return assumption was lowered from 7.50% to 7.25%.

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.

L & J O H N S O N

Certified Public Accountants

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

School Board
Bottineau Public School District No. 1
Bottineau, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Bottineau Public School District No. 1, Bottineau, North Dakota, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Bottineau Public School District No. 1, Bottineau, North Dakota's basic financial statements and have issued our report thereon dated December 1, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bottineau Public School District No. 1, Bottineau, North Dakota's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bottineau Public School District No. 1, Bottineau, North Dakota's internal control. Accordingly, we do not express an opinion on the effectiveness of Bottineau Public School District No. 1, Bottineau, North Dakota's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses, item 20-1, to be material weaknesses.

Compliance and Other Matters

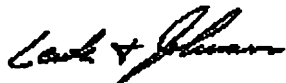
As part of obtaining reasonable assurance about whether Bottineau Public School District No. 1, Bottineau, North Dakota's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

Bottineau Public School District No. 1's Response to Findings

Bottineau Public School District No. 1, Bottineau, North Dakota's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Bottineau Public School District No. 1, Bottineau, North Dakota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion on it.

Purpose of this Report

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



LERVIK & JOHNSON
Certified Public Accountants
Bottineau, North Dakota

December 1, 2020

BOTTINEAU PUBLIC SCHOOL DISTRICT NO. 1
Bottineau, North Dakota

SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2020

FINDINGS-FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

20-1 Segregation of Duties

Condition:

The Bottineau Public School District No. 1, Bottineau, North Dakota, has one person responsible for most accounting functions.

Criteria:

There should be sufficient accounting personnel so duties of employees are segregated. The segregation of duties would provide better control over the assets of the school.

Effect:

There is no segregation of duties as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and prepare financial statements. This increases the risk of misstatement of the school's financial condition.

Recommendation:

To mitigate the risk associated with this lack of segregation of duties, we recommend the following:

- Financial statements, credit memos, and payroll registers should be reviewed, analyzed, and spot-checked by a responsible official.
- Where possible, segregate the functions of approval, posting, custody of assets, and reconciliation as they relate to any amounts which impact the financial statements.

Client Response:

Agree. Bottineau Public School District No. 1 does not have adequate resources to obtain proper internal controls to properly segregate duties. We will segregate duties to the extent possible.