

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

AUDITED FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

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June 30, 2020 and 2019

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NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

OFFICIAL DIRECTORY
June 30, 2020

Kristin Beck	President
Chris Mathias	Vice-President
Derrick Hansen	Board Member
Margie Johnson	Board Member
Sean Anderson	Board Member
Dawn Hoake	Superintendent
Donna Anderson	Business Manager



INDEPENDENT AUDITOR'S REPORT

School Board
North Sargent Public School District No. 3
Gwinner, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Sargent Public School District No. 3, as of and for the years ended June 30, 2020 and 2019, and the related notes to financial statements, which collectively comprise North Sargent Public School District No. 3's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

North Sargent Public School District No. 3's 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 the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 circumstances, 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, each major fund, and the aggregate remaining fund information of the North Sargent Public School District No. 3, as of June 30, 2020 and 2019 and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, schedules of employer's proportionate share of net pension and OPEB liability and employer contributions, and notes to required supplementary information presented to supplement the basic financial statements. Such 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. 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Sargent Public School District No. 3's basic financial statements. The nonmajor governmental funds – combining balance sheet, and nonmajor governmental funds – schedule of revenues, expenditures, and changes in fund balance are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The nonmajor governmental funds – combining balance sheet and nonmajor governmental funds – schedule of revenues, expenditures, and changes in fund balance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the nonmajor governmental funds – combining balance sheet and nonmajor governmental funds – schedule of revenues, expenditures, and changes in fund balance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The official directory has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2022 on our consideration of North Sargent Public School District No. 3'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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Sargent Public School District No. 3's internal control over financial reporting and compliance.

Nadine Julson, LLC

Nadine Julson, LLC
Wahpeton, North Dakota,
August 11, 2022

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020 and 2019

The Management's Discussion and Analysis (MD&A) of North Sargent Public School District No. 3's financial performance provides an overall review of the District's financial activities for the fiscal years ended June 30, 2020 and 2019. The intent of the MD&A is to look at the District's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

Financial Highlights

The District completed facility updates including LED and natural gas conversions and a remodel of the FACS Room. Costs of these conversions were funded by grants and cost shares with the City of Gwinner. During the 2018-2019 fiscal year, the District needed to utilize the 12-mill miscellaneous levy to make up for the short fall from state revenue. A special reserve fund transfer was also budgeted to cover the revenue shortfall. The District entered the South East Career and Tech Program during the 2018-2019 fiscal year.

Using this Annual Report

This annual financial report consists of a series of statements and related footnotes. These statements are organized so that the reader can understand the North Sargent Public School District No. 3 as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

Reporting on the District as a Whole

Statement of Net Position and Statement of Activities

These statements are summaries of all the funds used by the North Sargent Public School District No. 3 to provide programs and activities and attempt to answer the question "How did the District do financially during the years ended June 30, 2020 and 2019?"

The Statement of Net Position presents information on all the District's assets and deferred outflows and liabilities and deferred inflows, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information on how the District's net position changed during the fiscal year. This statement is presented using the accrual basis of accounting, which means that all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes).

These two statements report the District's net position and changes in net position. The change in net position is important because it tells the reader whether, for the District as a whole, the financial position of the District has improved or deteriorated. The causes of this change may be the result of many factors, some financial and some not.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, regular instruction, federal programs, special education, vocational education, administration, food services, operation and maintenance of buildings and grounds, student transportation, and co-curricular activities.

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Management's Discussion and Analysis - Continued

Reporting on the District's Most Significant Funds

Balance Sheet - Governmental Funds

The District uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and donations). The fund basic financial statements allow the District to demonstrate its stewardship over the accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the District's major funds. The District's general fund, capital projects building fund, and special revenue fund are considered a "major fund."

The District's other fund, the food service fund, is used to account for school food services and is summarized under the heading "Other Governmental Funds".

In addition, the District has the following fund type:

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the North Sargent Public School District No. 3's own programs.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Financial Analysis of the District as a Whole

Table I provides a summary of the District's net position as of June 30, 2020 and 2019. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the North Sargent Public School District No. 3, net position decreased by \$64,204 for the year ending June 30, 2020 and decreased by \$137,505 for the year ending June 30, 2019.

The District's net position at June 30, 2020 and 2019 is segregated into three separate categories. Net position invested in capital assets (net of related debt) are not available for future spending. Restricted net position represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted net positions are available to meet the District's ongoing obligations.

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Management's Discussion and Analysis - Continued

Table I
Net Position
June 30,

	2020	2019
Assets and Deferred Outflows of Resources		
Current Assets	\$ 886,146	\$ 812,521
Capital Assets, net of depreciation	1,468,539	1,434,895
Deferred Outflows of Resources	<u>817,480</u>	<u>995,167</u>
Total Assets and Deferred Outflows of Resources	3,172,165	3,242,583
Liabilities and Deferred Inflows of Resources		
Current Liabilities	16,024	53,662
Long-term Liabilities	3,567,690	3,840,148
Deferred Inflows of Resources	<u>534,310</u>	<u>230,428</u>
Total Liabilities and Deferred Inflows of Resources	4,118,024	4,124,238
Net Position (Deficit)		
Net Investment in Capital Assets	1,457,476	1,413,100
Restricted	256,796	249,117
Unrestricted (Deficit)	<u>(2,660,131)</u>	<u>(2,543,872)</u>
Total Net Position (Deficit)	<u>\$ (945,859)</u>	<u>\$ (881,655)</u>

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Management's Discussion and Analysis - Continued

Table II shows the changes in net position for the fiscal years ended June 30, 2020 and 2019.

Table II
Changes in Net Position
Years Ended June 30,

	2020	2019
Revenues		
Program Revenues		
Charges for Services	\$ 47,866	\$ 70,678
Operating Grants and Contributions	299,201	193,182
General Revenues		
Property Taxes	792,171	675,675
State Aid-Unrestricted	2,439,754	2,374,477
Interest and Miscellaneous Earnings	26,497	21,633
Total Revenues	3,605,489	3,335,645
Expenses		
Regular Instruction	1,992,760	1,746,592
Special Instruction	349,605	409,404
Vocational Instruction	172,302	166,059
Pupil Services	150,024	147,163
General Administration Services	191,358	222,007
School Administration Services	127,145	124,584
Operation and Maintenance	325,946	293,118
Pupil Transportation	81,652	94,432
Student Activities	152,489	151,970
School Food Services	126,412	117,821
Total Expenses	3,669,693	3,473,150
Change in Net Position	\$ (64,204)	\$ (137,505)

Unrestricted state aid constituted 67.7% and 71.2%, property tax 22.0% and 20.3%, and operating grants and contributions 8.3% and 5.8% of the total revenues of governmental activities of the District for the fiscal years ended June 30, 2020 and 2019.

Regular instruction constituted 54.3% and 50.3%, special instruction 9.5% and 11.8%, and operation and maintenance 8.9% and 8.4% of total expenses for governmental activities during the fiscal years ended June 30, 2020 and 2019.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table III shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues.

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Management's Discussion and Analysis - Continued

Table III
Total and Net Cost of Services
Years Ended June 30,

	Total Cost		Net Cost	
	2020	2019	2020	2019
Regular Instruction	\$ 1,992,760	\$ 1,746,592	\$ 1,902,122	\$ 1,654,982
Special Instruction	349,605	409,404	349,605	409,404
Vocational Instruction	172,302	166,059	166,164	160,261
Pupil Services	150,024	147,163	150,024	147,163
General Administration Services	191,358	222,007	191,358	222,007
School Administration Services	127,145	124,584	127,145	124,584
Operation and Maintenance	325,946	293,118	256,195	293,118
Pupil Transportation	81,652	94,432	29,466	44,967
Student Activities	152,489	151,970	152,489	151,970
School Food Services	126,412	117,821	(1,942)	834
Total Expenses	<u>\$ 3,669,693</u>	<u>\$ 3,473,150</u>	<u>\$ 3,322,626</u>	<u>\$ 3,209,290</u>

Financial Analysis of the Governmental Funds

The purpose of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unreserved fund balance generally can be used as a measure of the District's net resources available for spending as of the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting.

The District's governmental funds had total revenue of \$3,605,719 and \$3,361,121 and expenditures of \$3,493,388 and \$3,488,342 for the fiscal years ended June 30, 2020 and 2019. The unassigned fund balance of the District's general fund was \$589,820 and \$491,602 at June 30, 2020 and 2019.

General Fund Budgetary Highlights

During the year ended June 30, 2020, revenues were less than budgetary estimates by \$10,024, expenditures were less than budgetary estimates by \$75,043 and ending fund balance was more than budgetary estimates by \$65,019. During the year ended June 30, 2019, revenues were less than budgetary estimates by \$25,572, expenditures were more than budgetary estimates by \$14,220, and ending fund balance was less than budgetary estimates by \$39,792.

Capital Assets

As of June 30, 2020 and 2019, the North Sargent Public School District No. 3 had \$1,468,539 and \$1,434,895 invested in capital assets. Table IV shows the balances at June 30, 2020 and 2019.

Table IV
Capital Assets
(Net of Accumulated Depreciation)
Years Ended June 30,

	2020	2019
Buildings and Improvements	\$ 1,329,077	\$ 1,272,914
Vehicles	82,852	100,337
Equipment	56,610	61,644
Total Capital Assets	<u>\$ 1,468,539</u>	<u>\$ 1,434,895</u>

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Management's Discussion and Analysis - Continued

For a detailed breakdown of the additions and deletions to capital assets, readers are referred to the Note 8 of the audited financial statements that follow this analysis.

Debt Administration

As of June 30, 2020 and 2019, the North Sargent Public School District No. 3 had \$11,063 and \$21,795 of total debt.

Table V
Outstanding Debt
Years Ended June 30,

	Total Outstanding		Due Within One Year	
	2020	2019	2020	2019
Notes Payable	\$ 11,063	\$ 21,795	\$ 11,063	\$ 10,725
Total	\$ 11,063	\$ 21,795	\$ 11,063	\$ 10,725

For additional information regarding the outstanding debt, readers are referred to Note 9 of the audited financial statements that follow this analysis.

For the Future

The District will continue to develop a strategic plan for future growth and on the school's long-term planning.

Contacting the Districts Financial Management

This financial report is designed to provide our parents, taxpayers and creditors with a general overview of the North Sargent Public School District No. 3's finances and to show the District's accountability for the money it receives to provide the best possible education to all students enrolled in North Sargent Public School District No. 3. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact Donna Anderson at P.O. Box 289, Gwinner, North Dakota, 58040, (701) 678-2492.

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

STATEMENTS OF NET POSITION
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 604,255	\$ 504,208
Savings and CD's	186,870	183,740
Accounts Receivable	1,004	25,027
Due from County	1,895	2,722
Due from State Government	-	5,798
Due from Federal Government	66,333	64,507
Taxes Receivable	25,789	26,519
Total Current Assets	<u>886,146</u>	<u>812,521</u>
Capital Assets		
Depreciable, net of accumulated depreciation		
Buildings and Improvements	1,329,077	1,272,914
Vehicles	82,852	100,337
Equipment	56,610	61,644
Total Capital Assets	<u>1,468,539</u>	<u>1,434,895</u>
Total Assets	<u>2,354,685</u>	<u>2,247,416</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pension and OPEB	817,480	995,167
Total Assets and Deferred Outflows of Resources	<u>3,172,165</u>	<u>3,242,583</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	4,961	42,937
Current Portion of Long-term Debt		
Notes Payable	11,063	10,725
Total Current Liabilities	<u>16,024</u>	<u>53,662</u>
Due After One Year		
Notes Payable	-	11,070
Compensated Absences	6,150	3,729
Pension and OPEB Liability	3,561,540	3,825,349
Total Long-term Liabilities	<u>3,567,690</u>	<u>3,840,148</u>
Total Liabilities	<u>3,583,714</u>	<u>3,893,810</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions and OPEB	534,310	230,428
Total Liabilities and Deferred Inflows of Resources	<u>4,118,024</u>	<u>4,124,238</u>
NET POSITION (DEFICIT)		
Net Investment in Capital Assets	1,457,476	1,413,100
Restricted	256,796	249,117
Unrestricted (Deficit)	<u>(2,660,131)</u>	<u>(2,543,872)</u>
Total Net Position (Deficit)	<u>\$ (945,859)</u>	<u>\$ (881,655)</u>

See Notes to Financial Statements

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Regular Instruction	\$ 1,992,760	\$ 8,000	\$ 82,638	\$ (1,902,122)
Special Instruction	349,605	-	-	(349,605)
Vocational Instruction	172,302	-	6,138	(166,164)
Pupil Services	150,024	-	-	(150,024)
General Administration Services	191,358	-	-	(191,358)
School Administration Services	127,145	-	-	(127,145)
Operation and Maintenance	325,946	-	69,751	(256,195)
Pupil Transportation	81,652	-	52,186	(29,466)
Student Activities	152,489	-	-	(152,489)
School Food Services	126,412	39,866	88,488	1,942
	<u>\$ 3,669,693</u>	<u>\$ 47,866</u>	<u>\$ 299,201</u>	<u>(3,322,626)</u>
General Revenues				
Taxes				
				731,523
				60,648
				2,439,754
				6,584
				500
				19,413
				<u>3,258,422</u>
				(64,204)
				<u>(881,655)</u>
				<u>\$ (945,859)</u>

See Notes to Financial Statements

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Regular Instruction	\$ 1,746,592	\$ 7,305	\$ 84,305	\$ (1,654,982)
Special Instruction	409,404	-	-	(409,404)
Vocational Instruction	166,059	-	5,798	(160,261)
Pupil Services	147,163	-	-	(147,163)
General Administration Services	222,007	-	-	(222,007)
School Administration Services	124,584	-	-	(124,584)
Operation and Maintenance	293,118	-	-	(293,118)
Pupil Transportation	94,432	-	49,465	(44,967)
Student Activities	151,970	-	-	(151,970)
School Food Services	117,821	63,373	53,614	(834)
	<u>\$ 3,473,150</u>	<u>\$ 70,678</u>	<u>\$ 193,182</u>	<u>(3,209,290)</u>
General Revenues				
Taxes				
Taxes Levied for General Purposes				620,063
Taxes Levied for Building Purposes				55,612
State Aid, not restricted for specific purpose				2,374,477
Interest and Investment Earnings				5,916
Miscellaneous				15,717
Total General Revenues				<u>3,071,785</u>
Change in Net Position				(137,505)
Net Position, Beginning of Year				(744,150)
Net Position, End of Year				<u>\$ (881,655)</u>

See Notes to Financial Statements

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2020

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Special Reserve	Capital Projects		
ASSETS					
Cash and Cash Equivalents	\$ 338,897	\$ 107,494	\$ 146,197	\$ 11,667	\$ 604,255
Savings and CD's	186,870	-	-	-	186,870
Accounts Receivable	1,004	-	-	-	1,004
Due from County	1,677	59	159	-	1,895
Due from Federal Government	66,333	-	-	-	66,333
Taxes Receivable	22,902	786	2,101	-	25,789
Total Assets	617,683	108,339	148,457	11,667	886,146
LIABILITIES					
Accounts Payable	4,961	-	-	-	4,961
Total Liabilities	4,961	-	-	-	4,961
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	22,902	786	2,101	-	25,789
Total Deferred Inflows of Resources	22,902	786	2,101	-	25,789
FUND BALANCE					
Restricted	-	107,553	146,356	-	253,909
Assigned	-	-	-	11,667	11,667
Unassigned	589,820	-	-	-	589,820
Fund Balance	589,820	107,553	146,356	11,667	855,396
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 617,683	\$ 108,339	\$ 148,457	\$ 11,667	\$ 886,146

See Notes to Financial Statements

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2019

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Special Reserve	Capital Projects		
ASSETS					
Cash and Cash Equivalents	\$ 252,994	\$ 84,372	\$ 161,187	\$ 5,655	\$ 504,208
Savings and CD's	183,740	-	-	-	183,740
Accounts Receivable	25,027	-	-	-	25,027
Due from County	2,395	89	238	-	2,722
Due from State Government	5,798	-	-	-	5,798
Due from Federal Government	64,507	-	-	-	64,507
Taxes Receivable	23,288	881	2,350	-	26,519
Total Assets	557,749	85,342	163,775	5,655	812,521
LIABILITIES					
Accounts Payable	42,859	-	-	78	42,937
Total Liabilities	42,859	-	-	78	42,937
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	23,288	881	2,350	-	26,519
Total Deferred Inflows of Resources	23,288	881	2,350	-	26,519
FUND BALANCE					
Restricted	-	84,461	161,425	-	245,886
Assigned	-	-	-	5,577	5,577
Unassigned	491,602	-	-	-	491,602
Fund Balance	491,602	84,461	161,425	5,577	743,065
Total Liabilities and Deferred Inflows of Resources, and Fund Balance	\$ 557,749	\$ 85,342	\$ 163,775	\$ 5,655	\$ 812,521

See Notes to Financial Statements

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

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

Total Fund Balance - Governmental Funds June 30, 2020		\$	855,396
Total net position reported for government activities in the statement of net position is different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.			
Cost of Capital Assets	3,212,156		
Less Accumulated Depreciation	(1,743,617)		
Net Capital Assets	<u>1,468,539</u>		1,468,539
Property taxes receivable 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 unavailable revenue in the funds.			
			25,789
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. 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 the end of the year are reported in the statement of net position.			
Compensated Absences	(6,150)		
Notes Payable	(11,063)		
Pension Liability (net of related outflows and inflows)	(3,278,370)		
Total Long-term Liabilities	<u>(3,295,583)</u>		(3,295,583)
Total Net Position of Governmental Activities June 30, 2020		\$	<u>(945,859)</u>

See Notes to Financial Statements

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2019**

Total Fund Balance - Governmental Funds June 30, 2019		\$	743,065
Total net position reported for government activities in the statement of net position is different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.			
Cost of Capital Assets	3,124,305		
Less Accumulated Depreciation	<u>(1,689,410)</u>		
Net Capital Assets			1,434,895
Property taxes receivable 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 unavailable revenue in the funds.			
			26,519
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. 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 the end of the year are reported in the statement of net position.			
Compensated Absences	(3,729)		
Notes Payable	(21,795)		
Pension Liability (net of related outflows and inflows)	<u>(3,060,610)</u>		
Total Long-term Liabilities			<u>(3,086,134)</u>
Total Net Position of Governmental Activities June 30, 2019		\$	<u><u>(881,655)</u></u>

See Notes to Financial Statements

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – GOVERNMENTAL FUNDS
Year Ended June 30, 2020

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Special Reserve	Capital Projects		
REVENUES					
Local Sources	\$ 717,242	\$ 22,762	\$ 130,648	\$ 39,886	\$ 910,538
State Sources	2,499,552	-	-	476	2,500,028
Federal Sources	81,164	-	-	87,992	169,156
Interest Income	5,762	330	485	7	6,584
Miscellaneous Income	19,109	-	-	304	19,413
Total Revenues	3,322,829	23,092	131,133	128,665	3,605,719
EXPENDITURES					
Current					
Regular Instruction	1,743,405	-	-	-	1,743,405
Special Instruction	349,605	-	-	-	349,605
Vocational Instruction	166,653	-	-	-	166,653
Pupil Services	150,024	-	-	-	150,024
General Administration Services	190,995	-	-	-	190,995
School Administration Services	127,145	-	-	-	127,145
Operation and Maintenance	280,608	-	42,551	-	323,159
Pupil Transportation	80,934	-	-	-	80,934
Student Activities	124,510	-	-	-	124,510
School Food Services	-	-	-	122,575	122,575
Debt Service					
Principal	10,732	-	-	-	10,732
Facilities Acquisition and Construction	-	-	103,651	-	103,651
Total Expenditures	3,224,611	-	146,202	122,575	3,493,388
Excess (Deficiency) of Revenues over Expenditures	98,218	23,092	(15,069)	6,090	112,331
FUND BALANCE, BEGINNING OF YEAR	491,602	84,461	161,425	5,577	743,065
FUND BALANCE, END OF YEAR	\$ 589,820	\$ 107,553	\$ 146,356	\$ 11,667	\$ 855,396

See Notes to Financial Statements

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – GOVERNMENTAL FUNDS
Year Ended June 30, 2019

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Special Reserve	Capital Projects		
REVENUES					
Local Sources	\$ 627,739	\$ 22,007	\$ 58,710	\$ 63,373	\$ 771,829
State Sources	2,429,740	-	-	509	2,430,249
Federal Sources	84,305	-	-	53,105	137,410
Interest Income	5,018	413	477	8	5,916
Miscellaneous Income	15,717	-	-	-	15,717
Total Revenues	3,162,519	22,420	59,187	116,995	3,361,121
EXPENDITURES					
Current					
Regular Instruction	1,712,356	-	-	-	1,712,356
Special Instruction	409,404	-	-	-	409,404
Vocational Instruction	160,410	-	-	-	160,410
Pupil Services	147,163	-	-	-	147,163
General Administration Services	221,644	-	-	-	221,644
School Administration Services	124,584	-	-	-	124,584
Operation and Maintenance	285,382	-	7,736	-	293,118
Pupil Transportation	83,147	-	-	-	83,147
Student Activities	123,991	-	-	-	123,991
School Food Services	-	-	-	113,984	113,984
Debt Service					
Principal	10,392	-	-	-	10,392
Facilities Acquisition and Construction	-	-	88,149	-	88,149
Total Expenditures	3,278,473	-	95,885	113,984	3,488,342
Excess (Deficiency) of Revenues over Expenditures	(115,954)	22,420	(36,698)	3,011	(127,221)
OTHER FINANCING SOURCES (USES)					
Operating Transfer In	59,280	-	-	-	59,280
Operating Transfer Out	-	(59,280)	-	-	(59,280)
Total Other Financing Sources (Uses)	59,280	(59,280)	-	-	-
NET CHANGE IN FUND BALANCE	(56,674)	(36,860)	(36,698)	3,011	(127,221)
FUND BALANCE, BEGINNING OF YEAR	548,276	121,321	198,123	2,566	870,286
FUND BALANCE, END OF YEAR	\$ 491,602	\$ 84,461	\$ 161,425	\$ 5,577	\$ 743,065

See Notes to Financial Statements

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

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

Net Change in Fund Balances - Total Government Funds June 30, 2020	\$	112,331
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets with a cost greater than \$5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.		33,644
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	(2,421)	
Net Increase in Pension Liability	<u>(217,760)</u>	
		(220,181)
Repayment of debt principal and other long-term liabilities is an expenditure in the governmental fund financial statements, but repayment reduces long-term liabilities in the statement of net position.		10,732
Some revenues reported on 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 a decrease in taxes receivable.		<u>(730)</u>
Change in Net Position of Governmental Activities June 30, 2020	\$	<u><u>(64,204)</u></u>

See Notes to Financial Statements

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**
Year Ended June 30, 2019

Net Change in Fund Balances - Total Government Funds June 30, 2019		\$ (127,221)
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets with a cost greater than \$5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.		9,860
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.		
Net Decrease in Compensated Absences	20,291	
Net Increase in Pension Liability	<u>(25,351)</u>	
		(5,060)
Repayment of debt principal and other long-term liabilities is an expenditure in the governmental fund financial statements, but repayment reduces long-term liabilities in the statement of net position.		10,392
Some revenues reported on 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 a decrease in taxes receivable.		<u>(25,476)</u>
Change in Net Position of Governmental Activities June 30, 2019		<u><u>\$ (137,505)</u></u>

See Notes to Financial Statements

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUNDS
June 30, 2020 and 2019

	Agency Funds	
	2020	2019
Assets		
Cash and Investments	<u>\$ 115,477</u>	<u>\$ 108,377</u>
Total Assets	115,477	108,377
Liabilities		
Due to Groups	<u>115,477</u>	<u>108,377</u>
Total Liabilities	<u>\$ 115,477</u>	<u>\$ 108,377</u>

See Notes to Financial Statements

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the North Sargent Public School District No. 3, Gwinner, North Dakota (the District) have been prepared in accordance with accounting principles generally accepted in the United States of America 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.

A. Reporting Entity

The accompanying financial statements present the activities of the North Sargent Public School District No. 3. The District has considered all potential component units for which the District is financially accountable and other organizations for which the nature and significance of their relationships with the District such that exclusion would cause the District's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. This criterion includes appointing a voting majority of an organization's governing body and (1) the ability of the North Sargent Public School District No. 3 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 North Sargent Public School District No. 3.

Based on these criteria, there are no component units to be included within the North Sargent Public School District No. 3 as a reporting entity.

B. Basis of Presentation, Basis of Accounting

Government-wide statements - The statement of net position and the statement of activities display information about the primary government (North Sargent Public School District No. 3). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, fees and other non-exchange transactions. The statement of activities presents a comparison between direct expenses and program revenues for each function of the 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 all taxes, are presented as general revenues.

Fund financial statements - The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the district-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

1. General Fund
 - a. The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. Capital Projects Building Fund
 - a. Used to account for financial resources related to capital outlays made by the District.
3. Special Reserve Fund
 - a. Used to account for resources restricted to, or designated for, specific purposes by the District.

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Notes to Financial Statements – Continued

Additionally, the District reports the following governmental fund types that are included in non-major funds:

1. Governmental Funds
 - a. Food Service Fund – Used to account for food service revenues and expenditures.
2. Fiduciary Funds
 - a. Agency Funds – Used to account for resources held for others in a custodial capacity, the District's Agency Fund is the Student Activity Fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide and Fiduciary Fund Financial Statements - The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using 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 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 have been satisfied.

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

Under the terms of grant agreements, the 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 assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts. Cash equivalents on the statement of cash flows consist of certificates of deposit with a maturity of three months or less. Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the 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.

Investments consist of certificates of deposits stated at cost with maturities greater than three months.

E. Capital Assets

Capital assets include buildings and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the 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 asset 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.

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Notes to Financial Statements – Continued

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Playground equipment	20
School busses	15
Other vehicles	15
Office equipment	5
Other equipment	10

F. Vacation Pay, Sick Pay, Severance

The expenditures for vacation pay are recognized when payment is made. Employees are not allowed to carryover unused vacation days. Upon termination of employment with the District, an employee that has a minimum of five years of service in the District will be entitled to sick pay reimbursement at the rate of \$20 per day, for a maximum of 80 days of unused, accumulated sick leave.

G. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the government activities statement of net position. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material. In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

H. Pension Plans

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.

I. Other Post Employment Benefits (OPEB)

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

J. Fund Balance Classifications

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

1. Nonspendable
 - a. Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. They include items such as, but not limited to, inventories, prepaid items, or the permanent principal of endowment funds.
2. Restricted
 - a. Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Notes to Financial Statements – Continued

3. Committed
 - a. A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the School Board. Formal action is required to be taken to establish, modify, or rescind a fund balance commitment.
4. Assigned
 - a. Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes but are under the direction of the board and the business manager.
5. Unassigned
 - a. Unassigned fund balance is the lowest classification for the General Fund. This is a fund balance that has not been reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

It is the policy of the District to spend restricted resources first, followed by unrestricted resources. It is also the policy of the District to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

K. Net Position

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

L. 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.

NOTE 2 – LEGAL COMPLIANCE – BUDGETS

Expenditures over Appropriations – General fund expenditures exceed appropriates for the year ended June 30, 2019. Expenditures in general administration, regular instruction, and special instruction exceeded budgeted amounts.

NOTE 3 – DEPOSITS AND INVESTMENTS

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

Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the 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 deposits not covered by insurance or bonds.

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the State of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board. At year end June 30, 2020 and 2019, the District's carrying amounts of deposits was \$906,602 and \$796,325. The bank balances at June 30, 2020 and 2019 were \$1,225,290 and \$1,158,744. Of the bank balances, \$250,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by pledging financial institution's agent in the government's name.

Credit Risk:

The District may invest idle funds as authorized in North Dakota Statutes, as follows:

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

As of June 30, 2020 and 2019, the District held one certificate of deposit with a value of \$186,870 and \$183,740.

Interest Rate Risk:

The District does not have a formal deposit policy that limits maturities as a means of managing exposure to fair-value losses arising from increasing interest rates.

Concentration of Credit Risk:

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

NOTE 4 – TAXES RECEIVABLE

The taxes receivable represents the past five 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 authority. Any material tax collections are distributed after the end of each month.

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Notes to Financial Statements – Continued

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 on property taxes 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 15 and receive the discount on the property taxes.

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts for accrued interest and amounts on open account from other school districts and organizations for goods and services furnished by the District. No allowance has been established for uncollectible accounts.

NOTE 6 – DUE FROM COUNTY

Due from county represents the amount of taxes collected prior to year-end that are distributed to the District shortly after June 30, 2020 and 2019.

NOTE 7 – DUE FROM FEDERAL AND STATE GOVERNMENT

The amount due from federal government consists of a reimbursement claim for various programs. This claim is passed through the state.

NOTE 8 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended June 30, 2020 and 2019:

	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020
Governmental Activities:				
Capital Assets, being depreciated				
Buildings and Improvements	\$ 2,630,817	\$ 103,651	\$ -	\$ 2,734,468
Vehicles	353,675	6,500	(27,300)	332,875
Equipment	139,813	5,000	-	144,813
Total Capital Assets, being depreciated	3,124,305	115,151	(27,300)	3,212,156
Less Accumulated Depreciation for:				
Buildings and Improvements	1,357,903	47,488	-	1,405,391
Vehicles	253,338	23,985	(27,300)	250,023
Equipment	78,169	10,034	-	88,203
Total Accumulated Depreciation	1,689,410	81,507	(27,300)	1,743,617
Total Capital Assets Being Depreciated, net	1,434,895	33,644	-	1,468,539
Governmental Activities Capital Assets, net	\$ 1,434,895	\$ 33,644	\$ -	\$ 1,468,539

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Notes to Financial Statements – Continued

	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019
Governmental Activities:				
Capital Assets, being depreciated				
Buildings and Improvements	\$ 2,542,668	\$ 88,149	\$ -	\$ 2,630,817
Vehicles	353,675	-	-	353,675
Equipment	139,813	-	-	139,813
Total Capital Assets, being depreciated	3,036,156	88,149	-	3,124,305
Less Accumulated Depreciation for:				
Buildings and Improvements	1,312,488	45,415	-	1,357,903
Vehicles	229,784	23,554	-	253,338
Equipment	68,849	9,320	-	78,169
Total Accumulated Depreciation	1,611,121	78,289	-	1,689,410
Total Capital Assets Being Depreciated, net	1,425,035	9,860	-	1,434,895
Governmental Activities Capital Assets, net	\$ 1,425,035	\$ 9,860	\$ -	\$ 1,434,895

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

	2020	2019
Governmental Activities:		
Regular Instruction	\$ 29,174	\$ 29,176
Vocational Instruction	5,649	5,649
General Administration Services	363	363
Operation and Maintenance	2,787	-
Pupil Transportation	11,718	11,285
Student Activities	27,979	27,979
School Food Services	3,837	3,837
Total Depreciation Expense - Governmental Activities	\$ 81,507	\$ 78,289

NOTE 9 – LONG-TERM LIABILITIES

During the years ended June 30, 2020 and 2019, the following changes occurred in liabilities reported in long-term liabilities:

	Long-term Liabilities at July 1, 2019	Increases	Decreases	Long-term Liabilities at June 30, 2020	Due Within One Year
Governmental Activities					
Notes Payable	\$ 21,795	\$ -	\$ (10,732)	\$ 11,063	\$ 11,063
Compensated Absences*	3,729	2,421	-	6,150	-
Pension and OPEB Liability*	3,825,349	-	(263,809)	3,561,540	-
Total - Governmental Activities	\$ 3,850,873	\$ 2,421	\$ (274,541)	\$ 3,578,753	\$ 11,063

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Notes to Financial Statements – Continued

	Long-term Liabilities at July 1, 2018	Increases	Decreases	Long-term Liabilities at June 30, 2019	Due Within One Year
Governmental Activities					
Notes Payable	\$ 32,187	\$ -	\$ (10,392)	\$ 21,795	\$ 10,725
Compensated Absences*	24,020	-	(20,291)	3,729	-
Pension and OPEB Liability*	3,746,542	78,807	-	3,825,349	-
Total - Governmental Activities	<u>\$ 3,802,749</u>	<u>\$ 78,807</u>	<u>\$ (30,683)</u>	<u>\$ 3,850,873</u>	<u>\$ 10,725</u>

*The change in compensated absences and pension and OPEB liability is shown as a net change because changes in salary prohibit exact calculations of additions and reductions.

Outstanding debt at June 30, 2020 and 2019, is comprised of the following:

- Note Payable – From an original issuance of \$43,449 at an interest rate of 3.1%. At June 30, 2020 and 2019 \$11,063 and \$21,795 remained outstanding. The principal and interest are payable through January 20, 2021.

The debt service requirements are as follows:

Note Payable				
(Dated December 13, 2017, Due annually to January 20, 2021)				
(Interest paid annually on January 20)				
Year Ending June 30,	Rate	Principal	Interest	Payment
2021	3.10%	\$ 11,063	\$ 338	\$ 11,401
Totals		<u>\$ 11,063</u>	<u>\$ 338</u>	<u>\$ 11,401</u>

NOTE 10 – DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the fund financial statements consist of amounts for which asset recognition criteria have been met. Under the modified accrual basis of accounting, such amounts are measurable but not available and include taxes receivables of \$25,789 and \$26,519 at June 30, 2020 and 2019. Deferred inflows of resources on the statement of net position consist of related pension expense of \$534,310 and \$230,428 at June 30, 2020 and 2019.

NOTE 11 – DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources in the fund financial statements consist of amounts for which liability recognition criteria have been met, but for which expense recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. Deferred outflows of resources on the statement of net position consist of related pension expense of \$817,480 and \$995,167 at June 30, 2020 and 2019.

NOTE 12 – RISK MANAGEMENT

The District 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 District pays an annual premium to NDIRF for its general liability, auto and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and auto coverage.

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3

Notes to Financial Statements – Continued

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of \$2,000,000 per occurrence during a twelve-month period. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$1,100,017 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The District participates in the North Dakota Workforce Safety & Insurance and purchases commercial insurance for employee health and boiler and machinery insurance. Settled claims resulting from these above risks have not exceeded insurance coverage in any of the past three fiscal years.

The District has elected to be self-insured and retain all risk for liabilities resulting from claims of unemployment benefits. During the year ended June 30, 2020, no claims were filed for unemployment benefits.

NOTE 13 – PENSION PLANS

North Dakota Teacher's Fund for Retirement

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3

Notes to Financial Statements – Continued

Tier 1 Non-Grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70½. Re-funded 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 SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Notes to Financial Statements – Continued

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

At June 30, 2020 and 2019, the District reported a liability of \$3,113,988 and \$3,144,614 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial calculation as of that date. The District’s proportion of the net pension liability was based on the Districts share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employees. At June 30, 2019 and 2018 the District’s proportion was .226101 and .235930 percent.

For the year ended June 30, 2020, the District recognized pension expenses of \$372,160. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,446	\$ 112,385
Changes in assumptions	110,676	-
Net difference between projected and actual investment earnings	43,833	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	228,611	159,328
Employer contributions subsequent to the measurement date	197,341	-
Totals	<u>\$ 584,907</u>	<u>\$ 271,713</u>

\$197,341 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

For the year ended June 30, 2019, the District recognized pension expenses of \$328,481. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,535	\$ 85,525
Changes in assumptions	173,231	-
Net difference between projected and actual investment earnings	-	10,872
Changes in proportion and differences between employer contributions and proportionate share of contributions	293,646	62,612
Employer contributions subsequent to the measurement date	202,236	-
Totals	<u>\$ 677,648</u>	<u>\$ 159,009</u>

\$202,236 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Notes to Financial Statements – Continued

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

<u>Year ended June 30</u>	
2021	\$ 108,067
2022	34,158
2023	22,188
2024	(6,002)
2025	(16,764)
Thereafter	(25,793)

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 measurement:

Inflation	2.75%
Salary increases	4.25% to 14.50%, varying by service, including inflation and productivity
Investment rate of return	7.75%, net of investment expenses
Cost-of-living-adjustments	None

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, 2019, 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 8.00% to 7.75%.
- Inflation assumption lowered from 3.00% to 2.75%.
- Total salary scales 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 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equities	58%	6.90%
Global Fixed Income	23%	2.10%
Global Real Assets	18%	5.40%
Cash Equivalents	1%	0.00%

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Notes to Financial Statements – Continued

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.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the 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 (6.75%) or 1-percentage-point higher (8.75%) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 4,205,472	\$ 3,113,988	\$ 3,113,988

Pension plan fiduciary net position

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

North Dakota Public Employees Retirement System

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

NDPERS is a cost-sharing multi-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 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3

Notes to Financial Statements – Continued

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 for 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 ages. Member contribution rates are 7% and employer contribution rates 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 of \$25
13 to 24 months of service	Greater of two percent of monthly salary of \$25
25 to 36 months of service	Greater of three percent of monthly salary of \$25
Longer than 36 months of service	Greater of four percent of monthly salary of \$25

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

At June 30, 2020 and 2019, the District reported a liability of \$420,680 and \$652,160 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2019 and 2018, the District's proportion was .035892 and .038644 percent.

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Notes to Financial Statements – Continued

For the year ended June 30, 2020, the District recognized pension expense of \$72,740. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 249	\$ 76,345
Changes in assumptions	157,197	134,967
Net difference between projected and actual investment earnings	7,329	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	31,020	48,546
Employer contributions subsequent to the measurement date	<u>28,381</u>	<u>-</u>
Totals	<u>\$ 224,176</u>	<u>\$ 259,858</u>

\$28,381 reported as deferred outflows of resources related to pensions resulting from the 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.

For the year ended June 30, 2019, the District recognized pension expense of \$72,740. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,726	\$ 22,188
Changes in assumptions	235,416	9,308
Net difference between projected and actual investment earnings	-	3,173
Changes in proportion and differences between employer contributions and proportionate share of contributions	45,383	35,324
Employer contributions subsequent to the measurement date	<u>27,384</u>	<u>-</u>
Totals	<u>\$ 309,909</u>	<u>\$ 69,993</u>

\$27,384 reported as deferred outflows of resources related to pensions resulting from the 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, 2020.

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

<u>Year ended June 30</u>	
2021	\$ 10,066
2022	(822)
2023	(15,162)
2024	(44,395)
2025	(13,650)
Thereafter	-

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Notes to Financial Statements – Continued

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:

Inflation	2.50%		
Salary Increases	Service at Beginning of Year	State Employee	Non-State Employee
	0	12.00%	15.00%
	1	9.50%	10.00%
	2	7.25%	8.00%
	Age*		
	Under 30	7.25%	10.00%
	30-39	6.50%	7.50%
	40-49	6.25%	6.75%
	50-59	5.75%	6.50%
	60+	5.00%	6.25%

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

Investment Rate of Return 7.50%, net of investment expense

Cost-of-Living-Adjustment 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 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
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%

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Notes to Financial Statements – Continued

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 603,165	\$ 420,680	\$ 267,361

Pension plan fiduciary net position

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

NOTE 14 – OTHER POST EMPLOYMENT BENEFITS

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.

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Notes to Financial Statements – Continued

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.

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 and 2019, the District reported a liability of \$26,872 and \$28,575 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019 and 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2019 and 2018 the District's proportion was .0333457 and .036282 percent.

For the year ended June 30, 2020 the District recognized OPEB expense of \$3,342. At June 30, 2020 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 662	\$ 839
Changes in assumptions	3,203	-
Net difference between projected and actual investment earnings	30	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	22	1,900
Employer contributions subsequent to the measurement date	4,480	-
Totals	<u>\$ 8,397</u>	<u>\$ 2,739</u>

\$4,480 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021.

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Notes to Financial Statements – Continued

For the year ended June 30, 2019 the District recognized OPEB expense of \$3,503. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 854	\$ 590
Changes in assumptions	2,345	-
Net difference between projected and actual investment earnings	-	615
Changes in proportion and differences between employer contributions and proportionate share of contributions	27	221
Employer contributions subsequent to the measurement date	4,384	-
Totals	<u>\$ 7,610</u>	<u>\$ 1,426</u>

\$4,384 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year 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:

<u>Year ended June 30:</u>	
2021	\$ 182
2022	182
2023	433
2024	387
2025	102
Thereafter	(108)

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:

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%.

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Notes to Financial Statements – Continued

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Large Cap Domestic Equities	33%	6.00%
Small Cap Domestic Equities	6%	7.30%
Domestic Fixed Income	40%	2.07%
International Equities	21%	6.95%

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 District’s Proportionate Share of the Net OPEB Liability to Change 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 7.50 percent, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
District's proportionate share of the net pension liability	\$ 34,299	\$ 26,872	\$ 20,515

NOTE 15 – JOINT VENTURE

The District participates in the following joint ventures:

A. South Valley Multi-District Special Education Unit

Formed for the purpose of providing special education services to the member school districts. The Co-op's governing board is composed of representatives from the member school districts, who are superintendents. The Board is responsible for adopting the Co-op's budget and setting service fees at a level adequate to fund the adopted budget. The School District retains no equity in the net assets of the Co-op, but does have a responsibility to fund deficits of the Co-op in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from South Valley Multi-District Special Education Unit.

B. Southeast Region Career and Technology Center

Formed for the purpose of providing vocational services to the member school districts. The Co-op's governing board is composed of eight representatives from the member school districts, who are school board members. The Board is responsible for adopting the Co-op's budget and setting service fees at a level adequate to fund the adopted budget. The School District retains no equity in the net assets of the Co-op, but does have a responsibility to fund deficits of the Co-op in proportion to the relative participation. Separate financial statements for this joint venture are available from Southeast Region Career and Technology Center.

NOTE 16 – NONMONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its food service program. The market value of commodities received for the years ended June 30, 2020 and 2019 was \$13,654 and \$11,643.

NOTE 17 – TRANSFERS

A transfer was made from the special revenue fund to the general fund in accordance with NDCC 57-19-02.

NOTE 18 – CONCENTRATIONS

The District receives a substantial amount of its support from federal and state governments. A significant reduction in this support may have a material effect on the District's programs and its continued operations.

NOTE 19 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through August 11, 2022, the date on which the financial statements were available to be issued.

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Local Sources	\$ 732,575	\$ 732,575	\$ 717,242	\$ (15,333)
State Sources	2,499,514	2,499,514	2,499,552	38
Federal Sources	81,664	81,664	81,164	(500)
Interest Income	3,600	3,600	5,762	2,162
Miscellaneous Income	15,500	15,500	19,109	3,609
Total Revenues	<u>3,332,853</u>	<u>3,332,853</u>	<u>3,322,829</u>	<u>(10,024)</u>
EXPENDITURES				
Current				
Regular Instruction	1,786,589	1,786,589	1,743,405	43,184
Special Instruction	329,543	329,543	349,605	(20,062)
Vocational Instruction	164,800	164,800	166,653	(1,853)
Pupil Services	150,640	150,640	150,024	616
General Administration Services	205,952	205,952	190,995	14,957
School Administration Services	128,016	128,016	127,145	871
Operation and Maintenance	297,435	297,435	280,608	16,827
Pupil Transportation	88,915	88,915	80,934	7,981
Student Activities	137,356	137,356	124,510	12,846
Principal	10,408	10,408	10,732	(324)
Total Expenditures	<u>3,299,654</u>	<u>3,299,654</u>	<u>3,224,611</u>	<u>75,043</u>
Excess of Revenues over Expenditures	33,199	33,199	98,218	65,019
FUND BALANCE, BEGINNING OF YEAR			<u>491,602</u>	
FUND BALANCE, END OF YEAR			<u>\$ 589,820</u>	

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

BUDGETARY COMPARISON SCHEDULE – SPECIAL RESERVE
Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Local Sources	\$ 22,000	\$ 22,000	\$ 22,762	\$ 762
Interest Income	-	-	330	330
Total Revenues	22,000	22,000	23,092	1,092
FUND BALANCE, BEGINNING OF YEAR			84,461	
FUND BALANCE, END OF YEAR			<u>\$ 107,553</u>	

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local Sources	\$ 654,744	\$ 654,744	\$ 627,739	\$ (27,005)
State Sources	2,429,642	2,429,642	2,429,740	98
Federal Sources	84,305	84,305	84,305	-
Interest Income	2,100	2,100	5,018	2,918
Miscellaneous Income	17,300	17,300	15,717	(1,583)
Total Revenues	3,188,091	3,188,091	3,162,519	(25,572)
EXPENDITURES				
Current				
Regular Instruction	1,704,393	1,704,393	1,712,356	(7,963)
Special Instruction	399,857	399,857	409,404	(9,547)
Vocational Instruction	162,906	162,906	160,410	2,496
Pupil Services	146,593	146,593	147,163	(570)
General Administration Services	195,897	195,897	221,644	(25,747)
School Administration Services	126,328	126,328	124,584	1,744
Operation and Maintenance	291,901	291,901	285,382	6,519
Pupil Transportation	91,644	91,644	83,147	8,497
Student Activities	134,318	134,318	123,991	10,327
Principal	10,416	10,416	10,392	24
Total Expenditures	3,264,253	3,264,253	3,278,473	(14,220)
Excess (Deficiency) of Revenues over Expenditures	(76,162)	(76,162)	(115,954)	(39,792)
OTHER FINANCING SOURCES				
Operating Transfer In	59,280	59,280	59,280	-
Total Other Financing Sources	59,280	59,280	59,280	-
NET CHANGE IN FUND BALANCE	(16,882)	(16,882)	(56,674)	(39,792)
FUND BALANCE, BEGINNING OF YEAR			548,276	
FUND BALANCE, END OF YEAR			\$ 491,602	

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

BUDGETARY COMPARISON SCHEDULE – SPECIAL RESERVE
Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Local Sources	\$ 22,000	\$ 22,000	\$ 22,007	\$ 7
Interest Income	-	-	413	413
Total Revenues	22,000	22,000	22,420	420
OTHER FINANCING SOURCES (USES)				
Operating Transfer Out	(59,280)	(59,280)	(59,280)	-
Total Other Financing Sources (Uses)	(59,280)	(59,280)	(59,280)	-
NET CHANGE IN FUND BALANCE	(37,280)	(37,280)	(36,860)	420
FUND BALANCE, BEGINNING OF YEAR			121,321	
FUND BALANCE, END OF YEAR			<u>\$ 84,461</u>	

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY AND EMPLOYER CONTRIBUTIONS
Years Ended June 30, 2020 and 2019

Schedule of Employer's Share of Net Pension Liability
North Dakota Teachers Fund for Retirement
Last 10 Fiscal Years

	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered-employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.226101%	3,113,988	1,586,165	196.32%	65.50%
2019	0.235930%	3,144,614	1,603,875	196.06%	65.50%
2018	0.225950%	3,103,475	1,525,095	203.49%	63.20%
2017	0.233129%	3,415,479	1,514,698	225.49%	59.20%
2016	0.206517%	2,700,943	1,270,298	212.62%	62.10%
2015	0.204943%	2,147,439	1,188,780	180.64%	66.60%

Schedule of Employer Contributions
North Dakota Teachers Fund for Retirement
Last 10 Fiscal Years

	Statutorily required contribution	Contributions in relation to statutorily required contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2020	202,236	(202,236)	-	1,586,165	12.75%
2019	204,494	(204,494)	-	1,603,875	12.75%
2018	194,450	(194,450)	-	1,525,095	12.75%
2017	193,124	(193,124)	-	1,514,698	12.75%
2016	161,955	(161,955)	-	1,270,298	12.75%
2015	127,793	(127,793)	-	1,188,780	10.75%

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

**The measurement date of the net pension liability is June 30th of the prior year

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Schedule of Employer's Share of Net Pension Liability and Employer Contributions – Continued

Schedule of Employer's Share of Net Pension Liability
 ND Public Employee's Retirement System
 Last 10 Fiscal Years

	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered-employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.035892%	420,680	373,336	112.68%	71.66%
2019	0.038644%	652,160	397,001	164.27%	62.80%
2018	0.038233%	614,530	390,298	157.45%	61.98%
2017	0.030810%	300,273	310,490	96.71%	70.46%
2016	0.041357%	281,221	368,437	76.33%	77.15%
2015	0.038341%	243,359	322,980	75.35%	77.70%

Schedule of Employer Contributions
 ND Public Employee's Retirement System
 Last 10 Fiscal Years

	Statutorily required contribution	Contributions in relation to statutorily required contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2020	27,181	(27,625)	(444)	373,336	7.40%
2019	29,240	(26,504)	2,736	397,001	6.68%
2018	28,301	(28,568)	(267)	390,298	7.32%
2017	22,479	(27,604)	(5,125)	310,490	8.89%
2016	27,986	(26,232)	1,754	368,437	7.12%
2015	22,996	(22,996)	-	322,980	7.12%

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

**The measurement date of the net pension liability is June 30th of the prior year

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY AND EMPLOYER CONTRIBUTIONS
Years Ended June 30, 2020 and 2019

Schedule of Employer's Share of Net OPEB Liability
 ND Public Employee's Retirement System
 Last 10 Fiscal Years

	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered-employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.033457%	26,872	373,336	7.20%	63.13%
2019	0.036282%	28,575	397,001	7.20%	61.89%
2018	0.036077%	28,537	390,298	7.31%	59.78%

Schedule of Employer Contributions
 ND Public Employee's Retirement System
 Last 10 Fiscal Years

	Statutorily required contribution	Contributions in relation to statutorily required contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2020	4,342	(4,423)	(81)	373,336	1.18%
2019	4,657	(4,244)	413	397,001	1.07%
2018	4,537	(4,574)	(37)	390,298	1.17%

*Complete data for these schedules is not available prior to 2018

**The measurement date of the net pension liability is June 30th of the prior year

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020 and 2019

NOTE 1 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The School Board adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States for the general fund.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- The annual budget must be prepared, and District taxes must be levied on or before the 15th day of August of each year.
- The taxes levied must be certified to the county auditor by October 10th.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the Business Manager at the revenue and expenditure function/object level.
- 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.
- All appropriations lapse at year-end.

NOTE 2 – NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT CHANGES OF ASSUMPTIONS

Amounts reported in 2016 and later reflect the following actuarial assumption changes based on the results of an actuarial experience study dated April 30, 2015:

- Investment return assumption lowered from 8.00% to 7.75%.
- Inflation assumption lowered from 3.00% to 2.75%.
- Total salary scale rates lowered by .25% due to 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.

NOTE 3 – NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM CHANGES OF ASSUMPTIONS

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 – NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM CHANGE OF ASSUMPTIONS OPEB

Changes of Benefit Terms

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

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEET
June 30, 2020

	<u>Food Service</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 11,667</u>
Total Assets	11,667
FUND BALANCE	
Assigned	<u>11,667</u>
Fund Balance	<u>11,667</u>
Total Liabilities and Fund Balance	<u><u>\$ 11,667</u></u>

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEET
June 30, 2019

	<u>Food Service</u>
ASSETS	
Cash and Cash Equivalents	\$ 5,655
Total Assets	<u>5,655</u>
LIABILITIES	
Accounts Payable	78
Total Liabilities	<u>78</u>
FUND BALANCE	
Assigned	5,577
Fund Balance	<u>5,577</u>
Total Liabilities and Fund Balance	<u>\$ 5,655</u>

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**
Year Ended June 30, 2020

	<u>Food Service</u>
REVENUES	
Local Sources	\$ 39,886
State Sources	476
Federal Sources	87,992
Interest Income	7
Miscellaneous Income	<u>304</u>
Total Revenues	128,665
EXPENDITURES	
Current	
School Food Services	<u>122,575</u>
Total Expenditures	<u>122,575</u>
Excess of Revenues over Expenditures	6,090
FUND BALANCE, BEGINNING OF YEAR	<u>5,577</u>
FUND BALANCE, END OF YEAR	<u>\$ 11,667</u>

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**
Year Ended June 30, 2019

	<u>Food Service</u>
REVENUES	
Local Sources	\$ 63,373
State Sources	509
Federal Sources	53,105
Interest Income	<u>8</u>
Total Revenues	116,995
EXPENDITURES	
Current	
School Food Services	<u>113,984</u>
Total Expenditures	<u>113,984</u>
Excess of Revenues over Expenditures	3,011
FUND BALANCE, BEGINNING OF YEAR	<u>2,566</u>
FUND BALANCE, END OF YEAR	<u>\$ 5,577</u>



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
North Sargent Public School District No. 3
Gwinner, North Dakota

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Sargent Public School District No. 3, as of and for the years ended June 30, 2020 and 2019, and the related notes to financial statements, which collectively comprise the North Sargent Public School District No. 3's basic financial statements, and have issued our report thereon dated August 11, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Sargent Public School District No. 3'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 North Sargent Public School District No. 3's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of current year findings that we consider to be material weaknesses (2020-001 and 2020-002).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Sargent Public School District No. 3's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these 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*.

District's Response to Findings

North Sargent Public School District No. 3's response to the findings identified in our audit is described in the accompanying schedule of current year findings. North Sargent Public School District No. 3's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Nadine Julson, LLC
Wahpeton, North Dakota
August 11, 2022

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

SCHEDULE OF CURRENT YEAR FINDINGS
Years ended June 30, 2020 and 2019

2020-001 INADEQUATE SEGREGATION OF DUTIES

Criteria

The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

Condition

Proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel, so duties of employees are properly segregated. More segregation of duties would provide better control over the assets of the District.

Effect or Potential Effect

Without sufficient segregation of duties, the risk significant increases that errors and fraud related to cash receipts, disbursements, and reconciliations, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

Views of Responsible Officials

There is no disagreement with the audit finding and we understand that this will be a repeated recommendation due to the limited amount of resources of the District. The District will segregate functions where feasible.

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Schedule of Current Year Findings – Continued

2020-002 FINANCIAL STATEMENT PREPARATION

Criteria

A good system of internal accounting control contemplates an adequate system for the preparation of the financial statements, including recording government wide journal entries in order to reconcile from the fund financials to the government wide financials and ensuring all general ledger accounts are properly reflected on a GAAP basis.

Condition

The District does not have an internal control system designed to provide for the preparation of the financial statements being audited, including recording government wide journal entries. As auditors, we were requested to draft the financial statements, which include proposing government wide journal entries, and drafting the accompanying notes to financial statements.

Effect

Inadequate controls over financial reporting of the District results in more than a remote likelihood that the District would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

Recommendation

We recommend the District be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. As a compensating control, the District should establish an internal control policy to document annual review of the financial statements and to review a financial statement disclosure checklist.

Views of Responsible Officials

The District will continue to have the auditor prepare the financial statements. It is currently not cost-effective for management to perform the preparation.

NORTH SARGENT PUBLIC SCHOOL DISTRICT NO. 3
Gwinner, North Dakota

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Years ended June 30, 2020 and 2019

Prior Financial Statement Findings:

2018-001

A material weakness was reported for inadequate segregation of duties.

Corrective Action Plan

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements. This material weakness continues to exist under the current audit findings as finding number 2020-001.

2018-002

A material weakness was reported for financial statement preparation.

Corrective Action Plan

The accounting functions should be reviewed to determine if it is feasible for the District to prepare its own financial statements. This material weakness continues to exist under the current audit findings as number 2020-002.