

**DAKOTA PRAIRIE PUBLIC SCHOOL NO. 1
PETERSBURG, NORTH DAKOTA**

**FINANCIAL STATEMENTS
For the Year Ended
June 30, 2019**

**Mortenson & Rygh
Certified Public Accountants
1203 Park Street East
Park River, North Dakota 58270**

DAKOTA PRAIRIE PUBLIC SCHOOL NO. 1
Petersburg, North Dakota
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Year Ended June 30, 2019

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DAKOTA PRAIRIE PUBLIC SCHOOL NO. 1
Petersburg, North Dakota
LIST OF OFFICIALS
Year Ended June 30, 2019

| | |
|----------------|----------------------|
| Todd Jorde | Board President |
| Sarah Anderson | Board Vice President |

| | |
|----------------|--------------|
| Chanda Arneson | Board Member |
| Dave Blasey | Board Member |
| Penny Lippert | Board Member |

| | |
|-----------|------------------|
| Jay Slade | Superintendent |
| Lori Dahl | Business Manager |

INDEPENDENT AUDITOR'S REPORT

To the School Board

Dakota Prairie Public School No. 1

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 Dakota Prairie Public School No. 1 as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Accounting 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.

CAVALIER

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Cavalier, ND 58220
(701) 265-8644

PARK RIVER

1203 Park Street East
P.O. BOX 287
Park River, ND 58270
(701) 284-7616

LANGDON

817 3rd Street
FM Mall
Langdon, ND 58249
(701) 256-3559

STEPHEN

413 5th Street
P.O. BOX 45
Stephen, MN 56757
(218) 478-2880

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 Dakota Prairie Public School No. 1, as of June 30, 2019, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, Schedule of Employer's Share of Net Pension Liability, and Schedule of Employer's Contributions as listed on the table of contents be 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.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Dakota Prairie Public School No. 1's basic financial statements. The accompanying Detailed Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Detailed Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund is 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 statement of revenues, expenditures, and changes in fund balance for the general fund is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 07, 2020, on our consideration of the Dakota Prairie Public School No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dakota Prairie Public School No. 1's internal control over financial reporting and compliance.



Mortenson & Rygh
Certified Public Accountants
May 07, 2020

BASIC FINANCIAL STATEMENTS

DAKOTA PRAIRIE PUBLIC SCHOOL NO. 1
Petersburg, North Dakota
Statement of Net Position
June 30, 2019

| | Governmental Activities |
|--|----------------------------|
| ASSETS: | |
| CURRENT ASSETS | |
| Cash and Cash Equivalents | \$ 1,808,968 |
| Accounts Receivables | 308,974 |
| Taxes Receivable | 120,644 |
| Total Current Assets | 2,238,585 |
| NON-CURRENT ASSETS | |
| Capital Assets net of Accumulated Depreciation | 2,214,557 |
| Total Non-Current Assets | 2,214,557 |
| Total Assets | 4,453,142 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred Outflows - Pension | 1,112,411 |
| Total Deferred Outflows of Resources | 1,112,411 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS | \$ 5,565,553 |
| LIABILITIES: | |
| CURRENT LIABILITIES | |
| Accounts Payable | \$ 80,510 |
| Total Current Liabilities | 80,510 |
| NON CURRENT LIABILITIES | |
| Net Pension Liability | 4,968,207 |
| Total Non-Current Liabilities | 4,968,207 |
| Total Liabilities | 5,048,717 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred Inflows - Pension | 274,854 |
| Total Deferred Inflows of Resources | 274,854 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS | 5,323,571 |
| NET POSITION: | |
| Net Investment in Capital Assets | 2,214,557 |
| Restricted for: | |
| Capital Projects | 180,808 |
| Unrestricted | (2,153,383) |
| Total Net Position | 241,982 |
| TOTAL LIABILITIES AND NET POSITION | \$ 5,565,553 |

The notes to the financial statements are an integral part of this statement.

DAKOTA PRAIRIE PUBLIC SCHOOL NO. 1
Petersburg, North Dakota
Statement of Activities
Year Ended June 30, 2019

| Functions/Programs: | Expenses | Program Revenues | | | Net (Expense) |
|--|---------------------|----------------------|------------------------------------|----------------------------------|-------------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Revenue and Changes in Net Position |
| | | | | | Total Governmental Activities |
| Governmental Activities: | | | | | |
| Regular Instruction | \$ 2,280,706 | \$ - | \$ - | \$ - | \$ (2,280,706) |
| Career and Technical Education | 216,182 | - | 31,331 | - | (184,851) |
| Special Education | 490,806 | 111,491 | - | - | (379,315) |
| Federal Programs | 177,585 | - | 178,208 | - | 623 |
| Other Programs & Services | 335,509 | - | - | - | (335,509) |
| Student Support Services: | | | | | |
| Counseling Services | 163,607 | - | - | - | (163,607) |
| General Administration | 194,913 | - | - | - | (194,913) |
| School Administration | 366,548 | - | - | - | (366,548) |
| Business Office | 98,615 | - | - | - | (98,615) |
| Operation and Maintenance | 558,271 | - | - | - | (558,271) |
| Transportation | 550,358 | - | 357,255 | - | (193,103) |
| Library | 40,352 | - | - | - | (40,352) |
| Instructional Staff Training | 2,722 | - | - | - | (2,722) |
| Food Service | 231,509 | 89,648 | 100,169 | - | (41,692) |
| Total Primary Government | \$ 5,707,683 | \$ 201,140 | \$ 666,963 | \$ - | \$ (4,839,580) |
| General Revenues: | | | | | |
| Property Taxes Levies for: | | | | | |
| General Purposes | | | | | \$ 1,595,609 |
| Federal & State Aid not restricted to special purposes | | | | | 2,863,111 |
| Other Revenues | | | | | 17,481 |
| Total General Revenues | | | | | <u>4,476,201</u> |
| Change in Net Position | | | | | <u>(363,380)</u> |
| Net Position - July 1 | | | | | 605,361 |
| Net Position - June 30 | | | | | <u><u>\$ 241,982</u></u> |

The notes to the financial statements are an integral part of this statement.

DAKOTA PRAIRIE PUBLIC SCHOOL NO. 1
 Petersburg, North Dakota
Balance Sheet -Governmental Funds
 June 30, 2019

| | General | Building Fund | Food Service Fund | Total Governmental Funds |
|--|---------------------|-------------------|-------------------------|--------------------------------|
| ASSETS: | | | | |
| Cash and Cash Equivalents | \$ 1,625,715 | \$ 180,808 | \$ 2,445 | \$ 1,808,968 |
| Accounts Receivable | 308,974 | - | - | 308,974 |
| Taxes Receivable | 120,644 | - | - | 120,644 |
| Total Assets | \$ 2,055,332 | \$ 180,808 | \$ 2,445 | \$ 2,238,585 |
| LIABILITIES AND FUND BALANCE: | | | | |
| LIABILITIES | | | | |
| Accounts Payable | \$ 80,510 | \$ - | \$ - | \$ 80,510 |
| Total Liabilities | 80,510 | - | - | 80,510 |
| DEFERRED INFLOWS OF RESOURCES: | | | | |
| Uncollected Taxes Receivable | 89,867 | - | - | 89,867 |
| Total Liabilities & Deferred Inflows of Resources | 170,377 | - | - | 170,377 |
| Fund Balances: | | | | |
| Restricted for: | | | | |
| Capital projects | - | 180,808 | - | 180,808 |
| Food Service | - | - | 2,445 | 2,445 |
| Unassigned | 1,884,955 | - | - | 1,884,955 |
| Total Fund Balance | 1,884,955 | 180,808 | 2,445 | 2,068,209 |
| Total Liabilities & Fund Balance | \$ 2,055,332 | \$ 180,808 | \$ 2,445 | \$ 2,238,585 |

The notes to the financial statements are an integral part of this statement.

DAKOTA PRAIRIE PUBLIC SCHOOL NO. 1
 Petersburg, North Dakota
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
 June 30, 2019

| | | |
|---|--|--------------------------|
| Total <i>Fund Balance</i> for Governmental Funds | | \$ 2,068,209 |
| <p>Total <i>net position</i> reported for governmental activities in the statement of net position is different because:</p> | | |
| <p style="padding-left: 40px;">Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p> | | |
| Cost of Capital Assets | | \$ 5,615,001 |
| Less: Accumulated Depreciation | | <u>(3,400,444)</u> |
| Net Capital Assets | | 2,214,557 |
| <p>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 deferred revenues in the funds</p> | | |
| | | 89,867 |
| <p>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. All liabilities, both current and long term, are reported in the statement of net position.</p> | | |
| Net Pension Liability | | (4,968,207) |
| <p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.</p> | | |
| Deferred outflows related to pensions | | 1,112,411 |
| Deferred inflows related to pensions | | (274,854) |
| Total <i>Net Position</i> of Governmental Activities | | <u><u>\$ 241,982</u></u> |

The notes to the financial statements are an integral part of this statement.

DAKOTA PRAIRIE PUBLIC SCHOOL NO. 1
 Petersburg, North Dakota
Statement of Revenues, Expenses, and Changes in Fund Balances - Governmental Funds
 Year Ended June 30, 2019

| | General | Building Fund | Food Service Fund | Total Governmental Funds |
|--|---------------------|-------------------|-------------------------|--------------------------------|
| Revenues: | | | | |
| Local Sources | \$ 1,729,576 | \$ 4,932 | \$ 89,648 | \$ 1,824,157 |
| State Sources | 3,251,697 | - | 1,797 | 3,253,495 |
| Federal Sources | 178,208 | - | 98,371 | 276,579 |
| Total Revenues | 5,159,481 | 4,932 | 189,817 | 5,354,231 |
| Expenditures: | | | | |
| Regular Education Programs | 2,155,758 | - | - | 2,155,758 |
| Career and Technical Education | 202,742 | - | - | 202,742 |
| Special Education | 476,841 | - | - | 476,841 |
| Federal Programs | 169,103 | - | - | 169,103 |
| Tuition | 112,151 | - | - | 112,151 |
| Extra Curricular | 217,101 | - | - | 217,101 |
| Student Support Services | | | | |
| Counseling Services | 152,011 | - | - | 152,011 |
| General Administration | 186,174 | - | - | 186,174 |
| School Administration | 348,741 | - | - | 348,741 |
| Business Office | 95,366 | - | - | 95,366 |
| Operation and Maintenance | 398,000 | 90,693 | - | 488,693 |
| Transportation | 430,608 | - | - | 430,608 |
| Library | 38,105 | - | - | 38,105 |
| Instruction Staff Training | 2,722 | - | - | 2,722 |
| Food Service | - | - | 226,756 | 226,756 |
| Capital Outlay: | 71,475 | - | - | 71,475 |
| Total Expenditures | 5,056,897 | 90,693 | 226,756 | 5,374,346 |
| Excess Revenues over (under) Expenditures | 102,584 | (85,760) | (36,939) | (20,115) |
| Other Financing Sources(Uses): | | | | |
| Interfund Transfers In | - | 50,000 | 28,012 | 78,012 |
| Interfund Transfers (Out) | (78,012) | - | - | (78,012) |
| Net Change in Fund Balances | 24,572 | (35,760) | (8,926) | (20,115) |
| Fund balance - July 1 | 1,860,383 | 216,569 | 11,372 | 2,088,323 |
| Fund balance - June 30 | \$ 1,884,955 | \$ 180,808 | \$ 2,445 | \$ 2,068,209 |

The notes to the financial statements are an integral part of this statement.

DAKOTA PRAIRIE PUBLIC SCHOOL NO. 1
 Petersburg, North Dakota
Reconciliation of the Statement of Revenues, Expenses, and Changes in Fund Balances to the
Statement of Activities - All Governmental Fund Types
 Year Ended June 30, 2019

Net Change in *Fund Balance* - Total Governmental Funds \$ (20,115)

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

Governmental funds report capital outlays as expenses. However, in the statement of activities assets with an initial, individual cost of more than \$5,000 are capitalized and the cost 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 period.

| | | |
|-----------------------------------|------------------|-----------|
| Capital Asset Additions | 71,475 | |
| Current Year Depreciation Expense | <u>(172,436)</u> | (100,961) |

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 is the increase (decrease) in taxes receivable from the prior year. (9,928)

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

| | | |
|---|------------------|-----------|
| District pension contributions | 296,227 | |
| Cost of benefits earned net of employee contributions | <u>(528,603)</u> | (232,376) |

Change in *Net Position* of Governmental Activities \$ (363,380)

The notes to the financial statements are an integral part of this statement.

DAKOTA PRAIRIE PUBLIC SCHOOL NO. 1
Petersburg, North Dakota
Statement of Assets and Liabilities – Fiduciary Fund
June 30, 2019

| | |
|-----------------------|-------------------|
| Assets: | |
| Cash and Investments | <u>\$ 122,953</u> |
| | |
| Liabilities | |
| Due to Student Groups | <u>\$ 122,953</u> |

The notes to the financial statements are an integral part of this statement.

DAKOTA PRAIRIE PUBLIC SCHOOL NO. 1
Petersburg, North Dakota
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

The District's Board of Education is the level of government, which has financial accountability, responsibility and control over all activities related to the public-school education in the District's boundaries. The Board receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined by the related Governmental Accounting Standards Board Statement 14, since the Board members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operation and primary accountability for fiscal matters. In addition, there are no component units as defined in Governmental Accounting Standards Board Statement 14, which are included in the District's reporting entity.

The District's financial statements include all of the District's operations. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from Dakota Prairie Public School No. 1.

B. Basis of Presentation

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

Government-wide Statements: The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Net Position presents the financial condition of the governmental activities of the District at year end. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct Expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to students or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues, as are internally dedicated resources.

Fund Financial Statements: The fund financial statements provide information about the District's funds. Separate financial statements are provided for governmental funds and a fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, reserves, fund equity, receipts and disbursements, as appropriate. The various funds are summarized by type in the fund financial statements. Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following fund types are used by the District:

GOVERNMENTAL FUND TYPES

General Fund (a major governmental fund) – The general fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from this fund.

Building Fund (a major governmental fund)– This fund has its own mill levy dedicated to major construction projects. Levy funds can also be used for property insurance premiums covering school district property.

Food Service Fund (a major governmental fund) – This fund records financial transactions related to food service operations. This fund is financed by user charges and grants.

FIDUCIARY FUND TYPE

Agency Funds - Agency funds are used to account for assets held by the school district in a trustee capacity or as an agent for student body groups.

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

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting, as is the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they become available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the District receives cash.

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

E. Cash and Cash Equivalents

Cash includes amounts in demand deposits, money market accounts and certificates of deposit with maturity of three months or less. State law requires district funds to be deposited in a financial institution situated and doing business within this state.

F. Capital Assets

Capital assets, which include land, buildings and improvements and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects and constructed. Buildings & improvements and furniture & equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|--------------------------|--------------|
| Buildings & Improvements | 50 |
| Furniture & equipment | 10 |
| Vehicles | 10 |

G. Accrued Liabilities and Long-Term Obligations

In the government-wide financial statements, accounts payable and long term obligations are reported in the governmental activities Statement of Net Position. The District's governmental fund financials report only those obligations that will be paid from current financial resources.

H. Compensated Absences

The District does not account for compensated absences. The amount of liability cannot be readily ascertained.

I. Net Position/Fund Balance

Government-wide Financial Statements

Equity is classified in the government-wide financial statements as net position and displayed in three components:

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statement

Beginning with fiscal year 2012, the District implemented GASB Statement 54, Fund Balance Reporting in Governmental Fund Types Definitions. The governmental fund financial statements present fund balances based on a hierarchy that shows, from highest to lowest, the level or form of constraints on fund balance resources and the extent to which the District is bound to honor them. The District first determines and reports non-spendable balances, then restricted, then committed, and so forth. The District’s governmental fund balances have been restated to reflect the below classifications. Fund balance classifications are summarized as follows:

Non-spendable fund balance – This category includes fund balance amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

Restricted fund balance – This category includes net fund resources that are subject to external constraints that have been placed on the use of resources either (a) imposed by creditors, grantors, contributors, or laws regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – This category 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. The commitment can only be removed through the same action. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance – This category includes Governmental Fund balance that the district intends to be used for a specific purpose but are neither restricted nor committed. This intent is expressed by written approval of the District’s administration comprised of the School Board.

Unassigned fund balance – This category included the residual balances in the governmental fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purpose within the General Fund.

J. Deferred Outflows and Inflows of Resources

Deferred Outflows of resources on the Statement of Net Position represent consumption of resources applicable to future periods and so will not be recognized as an expense until then. The District's only deferred outflows of resources reported on the statement of net position are related to defined benefit pension plans (TFFR and NDPERS) and other post-employment benefits (RHIC). The amount represents actuarial differences within the pension plans as well as contributions to the plans made after the measurement date.

Deferred Inflows of resources on the Statement of Net Position represent acquisition of resources applicable to future periods and so will not be recognized as revenue until that time. The District's only deferred inflow of resources on the Statement of Net Position are related to defined benefit pension plans (TFFR and NDPERS) and other post-employment benefits (RHIC). The amount represents actuarial differences within the pension plans.

K. Interfund Transactions

Quasi-external transactions are accounted for as receipts or disbursements. Transactions that constitute reimbursements to a fund for receipts/disbursements initially made from it that are properly applicable to another fund, are recorded as disbursements in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and 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.

L. Use of Estimates in Preparing Financial Statements

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

M. Memorandum Only - Total Columns

Total columns to the financial statements are captioned "*memorandum only*" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 LEGAL COMPLIANCE – BUDGETS

Budget Amendments

The school district’s governing board approved the following amendments to the District’s budget:

June 30, 2019

| Budget Amendments: | Original Budget | Amendment | Amended Budget |
|---------------------------|----------------------------|------------------|---------------------------|
| | Expenditures | | |
| Major Funds: | | | |
| General Fund | \$ 5,128,983 | \$ 14,419 | \$ 5,143,402 |

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

In accordance with North Dakota statutes, the District maintains deposits in financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or secured with a pledge of securities equal to 110% of the uninsured balance.

State statutes authorize the District to invest in:

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

B. Investments

Concentration of credit risk – The risk of loss due to the magnitude of investments in a single issuer. The District only invests in Certificates of Deposit wherein the issuer collateralizes the certificate with governmental securities.

Interest rate risk – The risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District only invests in Certificates of Deposit which are always purchased and redeemable at face value.

At year ended June 30, 2019, the school district’s carrying amount of deposits totaled \$1,931,921 and the bank balances totaled \$2,057,144. Of the bank balances, \$555,976 was covered by Federal Depository Insurance. The remaining bank balances totaling \$1,493,504 were collateralized with securities held by the pledging financial institution’s agent in the government’s name.

NOTE 4 ACCOUNTS RECEIVABLE

The District’s accounts receivable at June 30, 2019 consisted of the following:

| | |
|--|--------------------------|
| ND Dept of Public Instruction (Title I) | \$ 169,103 |
| ND Career and Technical Education | 31,331 |
| Lake Region Special Education | 88,582 |
| Dakota Prairie School Dist Activity Fund | <u>19,958</u> |
| Total Accounts Receivable | <u><u>\$ 308,974</u></u> |

NOTE 5 DEFERRED INFLOWS/OUTFLOWS OF RESOURCES – GOVERNMENTAL FUNDS

Deferred inflows of resources on the fund financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available.

The district recognizes uncollected taxes receivable, which are not expected to be collected within 60 days after year end, as deferred inflows of resources. Below is a summary of the District’s property tax receivables and deferred inflows of resources:

| | <u>Receivable</u> | <u>Deferred</u> |
|--------------|-------------------|------------------|
| General Fund | <u>\$ 120,644</u> | <u>\$ 89,867</u> |
| | <u>\$ 120,644</u> | <u>\$ 89,867</u> |

NOTE 6 CAPITAL ASSETS

Capital Asset activity for the Year Ended June 30, 2019 was as follows:

| | <u>July 1, 2018</u> | <u>Increases</u> | <u>Decreases</u> | <u>June 30, 2019</u> |
|---|-----------------------|---------------------|--------------------|-----------------------|
| Capital Assets, being depreciated: | | | | |
| Buildings | \$ 3,954,790 | \$ - | \$ - | \$ 3,954,790 |
| Furniture & Equipment | 332,685 | - | - | 332,685 |
| Buses & Vehicles | 1,325,806 | 92,270 | (90,550) | 1,327,526 |
| Total Capital Assets Being Depreciated | <u>\$ 5,613,281</u> | <u>\$ 92,270</u> | <u>\$ (90,550)</u> | <u>\$ 5,615,001</u> |
| Accumulated depreciation: | | | | |
| Buildings | (2,238,536) | (40,836) | - | (2,279,372) |
| Furniture & Equipment | (230,170) | (23,141) | - | (253,311) |
| Buses & Vehicles | (829,057) | (108,460) | 69,755 | (867,762) |
| Total Accumulated Depreciation | <u>\$ (3,297,763)</u> | <u>\$ (172,436)</u> | <u>\$ 69,755</u> | <u>\$ (3,400,444)</u> |
| Total Capital Assets Being Depreciated, Net | <u>\$ 2,315,517</u> | <u>\$ (80,166)</u> | <u>\$ (20,795)</u> | <u>\$ 2,214,557</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 2,315,517</u> | <u>\$ (80,166)</u> | <u>\$ (20,795)</u> | <u>\$ 2,214,557</u> |

Depreciation was expensed to the following functions:

| | |
|-------------------------------|-------------------|
| Bus Vehicle Depreciation | \$ 108,460 |
| Bldg & Equipment Depreciation | <u>63,976</u> |
| Total Depreciation Expense | <u>\$ 172,436</u> |

NOTE 7 LONG TERM OBLIGATIONS

Long-term liability activity for the year ended June 30, 2019 is as follows:

| | Balance July 1, 2018 | Increase | Decrease | Balance June 30, 2019 |
|---|-------------------------|-------------------|-------------------|--------------------------|
| Net Pension Liability TFFR | \$ 3,842,935 | \$ 129,468 | \$ - | \$ 3,972,403 |
| Net Pension Liability NDPERS | 944,321 | 9,684 | - | 954,005 |
| Net Other Post Employment Benefit Liability | 43,853 | - | (2,054) | 41,799 |
| Total Long Term Obligations | <u>\$ 4,831,109</u> | <u>\$ 139,152</u> | <u>\$ (2,054)</u> | <u>\$ 4,968,207</u> |

Further detail on early retirement and net pension liability can be found in Notes 8 and 9, respectively.

NOTE 8 PENSION PLAN

Summary of Significant Accounting Policies

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

General Information about the Pension Plans

A. North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

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

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

Death and Disability Benefits

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

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition 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 wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan.

The minimum member contribution is \$25 and the maximum may not exceed the following:

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

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

At June 30, 2019, the Employer reported a liability of \$954,005 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. June 30, 2018, the Employer's proportion was 0.056530 percent, which was a decrease of 0.002221 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Employer recognized pension expense of \$151,454. At June 30, 2019, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experiences | \$ 2,524 | \$ 32,457 |
| Changes of assumptions | 344,376 | 13,617 |
| Net difference between projected and actual earnings on pension plan investments | - | 4,641 |
| Changes in proportion and differences between Employer contributions and proportionate share of contributions | 13,440 | 34,816 |
| *Employer contributions subsequent to the measurement date of July 1, 2018 | 49,280 | - |
| Total | \$ 409,620 | \$ 85,531 |

*\$49,280 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year 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:

| Year ended June 30: | |
|----------------------------|-------------------|
| 2019 | \$ 95,030 |
| 2020 | 82,189 |
| 2021 | 61,391 |
| 2022 | 34,890 |
| 2023 | 1,309 |
| Thereafter | - |
| Total | \$ 274,809 |

Actuarial Assumption

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | | |
|----------------------------|-------------------------------------|----------------------|
| Inflation | 2.50% | |
| Salary increases | <u>Service at Beginning of Year</u> | <u>Increase Rate</u> |
| | 0 | 15.00% |
| | 1 | 10.00% |
| | 2 | 8.00% |
| | <u>Age*</u> | |
| | Under 36 | 8.00% |
| | 36 - 40 | 7.50% |
| | 41 - 49 | 6.00% |
| 50+ | 5.00% | |
| Investment rate of return | 7.75%, net of investment expenses | |
| Cost-of-living adjustments | None | |

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

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:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------------|--------------------------|---|
| Domestic Equity | 30% | 6.05% |
| International Equity | 21% | 6.71% |
| Private Equity | 7% | 10.20% |
| Domestic Fixed Income | 23% | 1.45% |
| Global Real Estate | 19% | 5.11% |
| Cash Equivalents | 0% | 0.00% |

Discount Rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to

make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.62%; and the resulting Single Discount Rate is 6.32%.

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 6.32 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.32 percent) or 1-percentage-point higher (7.32 percent) than the current rate:

| | 1% Decrease (5.32%) | Current Discount Rate (6.32%) | 1% Increase (7.32%) |
|---|--------------------------------|--|--------------------------------|
| Employer's proportionate share of the net pension liability | 1,296,316 | 954,005 | 668,358 |

Pension Plan Fiduciary Net Position

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

B. North Dakota Public Teachers' Fund for Retirement

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the five highest annual salaries earned divided by 60 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial

lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

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

At June 30, 2019, the Employer reported a liability of \$3,972,403 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2018, the Employer's proportion was 0.298036 percent, which was an increase of 0.018250 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Employer recognized pension expense of \$372,495. At June 30, 2019, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experiences | \$ 10,781 | \$ 108,038 |
| Net difference between projected and actual earnings on pension plan investments | - | 13,734 |
| Changes of assumptions | 218,833 | - |
| Changes in proportion and differences between Employer contributions and proportionate share of contributions | 221,296 | 65,067 |
| *Employer contributions subsequent to the measurement date of July 1, 2019 | 239,057 | - |
| Total | \$ 689,967 | \$ 186,839 |

*\$239,057 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year 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:

| Year ended June 30: | |
|----------------------------|-------------------|
| 2020 | \$ 154,403 |
| 2021 | 98,873 |
| 2022 | 1,455 |
| 2023 | (15,313) |
| 2024 | 3,534 |
| Thereafter | 21,119 |
| Total | \$ 264,071 |

Actuarial Assumptions

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the 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, 2018, funding actuarial valuation for TFFR.

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

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

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---------------------|--------------------------|---|
| Global Equities | 58% | 6.70% |
| Global Fixed Income | 23% | 1.50% |
| Global Real Assets | 18% | 5.10% |
| Cash Equivalents | 1% | 0.00% |

Discount Rate

The discount rate used to measure the total pension liability was 7.75% percent as of June 30, 2018. 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, 2018, 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, 2018. 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, 2018.

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|---|--------------------------------|--|--------------------------------|
| Employer's proportionate share of the net pension liability | 5,363,893 | 3,972,403 | 2,815,115 |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report. TFFR's Comprehensive Annual Financial Report (CAFR) is located at www.nd.gov/rio/sib/publications/cafr/default.htm.

NOTE 9 OTHER POST EMPLOYMENT BENEFITS (OPEB)

Summary of Significant Accounting Policies

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

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges

retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

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

OPEB Benefits

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

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, 2019, the district reported a liability of \$41,799 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. June 30, 2018, the district's proportion was 0.053074 percent, which was a decrease of .002365 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the district recognized OPEB expense of 4,654. At June 30, 2019, the Employer 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 experiences | \$ 1,252 | \$ 864 |
| Changes of assumptions | 3,430 | - |
| Net difference between projected and actual earnings on OPEB plan investments | - | 899 |
| Changes in proportion and differences between Employer contributions and proportionate share of contributions | 252 | 721 |
| *Employer contributions subsequent to the measurement date of July 1, 2019 | 7,890 | - |
| Total | \$ 12,824 | \$ 2,484 |

*\$7,890 reported as deferred outflows of resources related to OPEB resulting from Employer 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:

| Year ended June 30: | | |
|----------------------------|-----------|--------------|
| 2020 | \$ | 284 |
| 2021 | | 284 |
| 2022 | | 284 |
| 2023 | | 681 |
| 2024 | | 608 |
| Thereafter | | 309 |
| Total | \$ | 2,450 |

Actuarial assumptions. The total OPEB liability in the July 1, 2017 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 | 7.50%, net of investment expenses |
| Cost-of-living adjustments | None |

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2017 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|--------------------------|--------------------------|---|
| Lg Cap Domestic Equities | 37% | 5.80% |
| Sm Cap Domestic Equities | 9% | 7.05% |
| International Equities | 14% | 6.20% |
| Core-Plus Fixed Income | 40% | 1.46% |

Discount rate.

The discount rate used to measure the total OPEB liability was 7.5%. 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 Employer's proportionate share of the net OPEB liability to changes in the discount rate.

The following presents the net OPEB liability of the Plans as of June 30, 2018, calculated using the discount rate of 7.50%, 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 (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|--|--------------------------------|--|--------------------------------|
| Employer's proportionate share of the net OPEB liability | 52,886 | 41,799 | 32,295 |

NOTE 10 PROPERTY TAXES

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.

Budgets are adopted on the modified accrual basis. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at year-end. See Note 2 for explanation of filing date requirements.

NOTE 11 INTERFUND TRANSFERS

Operating transfers for the fiscal year ended June 30, 2019 were as follows.

| Fund | In | Out |
|-----------------------|------------------|------------------|
| General Fund | - | 78,012 |
| Capital Projects Fund | 50,000 | - |
| Food Service Fund | 28,012 | - |
| Total | <u>\$ 78,012</u> | <u>\$ 78,012</u> |

Transfers were made for cash management requirements.

NOTE 12 RESTRICTED NET POSITION

The government-wide statement of net position reports \$180,808 of restricted net position, of which \$180,808 is restricted by enabling legislation regarding the District's Building Fund. North Dakota State Statute specifies moneys in the building fund may only be used for construction, renovation, repair, or improvement of the District's buildings, facilities, and real property.

NOTE 13 RISK MANAGEMENT

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

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

The Dakota Prairie Public School No. 1 also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The district pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of one million dollars per occurrence during a twelve-month period.

The State Bonding Fund currently provides the school district with blanket fidelity bond coverage in the amount of \$835,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage. The school district also participates in North Dakota Workforce Safety and Insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 14 GRANTS

The District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the District's independent auditors and other governmental auditors. Any disallowed claims resulting from such an audit could become a liability of the General Fund or other applicable fund. Based on prior experience, the District administration believes such disallowance, if any, would be immaterial.

NOTE 15 NON-MONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its hot lunch program and its market value is recognized as revenue from federal sources. The market value of commodities received for the year ended June 30, 2019 was \$14,720.

NOTE 16 SUBSEQUENT EVENTS

As of May 07, 2020, the date the financial statements were available to be issued, the district was not aware of any subsequent events that need to be disclosed in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

DAKOTA PRAIRIE PUBLIC SCHOOL NO. 1
 Petersburg, North Dakota
Budgetary Comparison Schedule - General Fund
 Year Ended June 30, 2019

| | <u>General Fund</u> | | | |
|--|----------------------------|---------------------|---------------------|----------------|
| | Original Budget | Final Budget | Actual | Variance |
| Revenues: | | | | |
| Local Sources | \$ 1,543,619 | \$ 1,543,619 | \$ 1,729,576 | \$ 185,957 |
| State Sources | 3,313,172 | 3,313,172 | 3,251,697 | (61,475) |
| Federal Sources | 162,684 | 162,684 | 178,208 | 15,524 |
| Total Revenues | 5,019,475 | 5,019,475 | 5,159,481 | 140,006 |
| Expenditures: | | | | |
| Regular Instruction Programs | 2,204,686 | 2,204,686 | 2,155,758 | 48,928 |
| Career and Technical Education | 218,999 | 218,999 | 202,742 | 16,257 |
| Special Education | 514,870 | 514,870 | 476,841 | 38,029 |
| Federal Programs | 177,484 | 191,903 | 169,103 | 22,801 |
| Tuition | 35,000 | 35,000 | 112,151 | |
| Extra Curricular | 208,560 | 208,560 | 217,101 | (8,541) |
| Student Support Services | - | | - | |
| Guidance Services | 157,908 | 157,908 | 152,011 | 5,897 |
| General Administration | 193,615 | 193,615 | 186,174 | 7,441 |
| School Administration | 360,410 | 360,410 | 348,741 | 11,669 |
| Business Office | 97,650 | 97,650 | 95,366 | 2,285 |
| Operation and Maintenance | 411,175 | 411,175 | 398,000 | 13,175 |
| Transportation | 427,228 | 427,228 | 430,608 | (3,380) |
| Library | 39,398 | 39,398 | 38,105 | 1,293 |
| Instruction Staff Training | 6,000 | 6,000 | 2,722 | 3,278 |
| Capital Outlay | 76,000 | 76,000 | 71,475 | 4,525 |
| Total Expenditures | 5,128,983 | 5,143,402 | 5,056,897 | 163,656 |
| Excess Revenues over (under) Expenditures | (109,508) | (123,927) | 102,584 | 226,511 |
| Interfund Transfers (Out) | (35,000) | (85,000) | (78,012) | |
| Net Change in Fund Balance | (144,508) | (208,927) | 24,572 | |
| Fund balance - July 1 | 1,860,383 | 1,860,383 | 1,860,383 | |
| Fund balance - June 30 | \$ 1,715,875 | \$ 1,651,456 | \$ 1,884,955 | |

The notes to the required supplementary information are an integral part of this statement.

DAKOTA PRAIRIE PUBLIC SCHOOL NO. 1
 Petersburg, North Dakota
Schedule of District's Share of Net Pension Liability
ND Teachers' Fund for Retirement
 Last 10 Fiscal Years*

| Year Ended June 30 | Employer's Proportion Of the Net Pension Liability (Asset) | Employer's Proportionate Share Of the Net Pension Liability (Asset) | Employer's Covered Employee Payroll | Employer's Proportionate Share Of the Net Pension Liability (Asset) as a % of its covered-employee Payroll | Plan Fiduciary Net Position As a % of the Total Pension Liability |
|-----------------------|--|---|---|--|--|
| 2015 | 0.283088% | 2,966,260 | 1,642,062 | 180.6% | 66.60% |
| 2016 | 0.285757% | 3,737,288 | 1,757,705 | 212.6% | 62.10% |
| 2017 | 0.287247% | 4,208,343 | 1,866,318 | 225.5% | 59.20% |
| 2018 | 0.279786% | 3,842,935 | 1,888,476 | 203.5% | 63.20% |
| 2019 | 0.298036% | 3,972,403 | 2,026,079 | 196.1% | 65.50% |

*Complete data for this schedule is not available prior to 2015.

Amounts presented in each fiscal year have a measurement date of the previous fiscal year end.

The notes to the required supplementary information are an integral part of this statement.

DAKOTA PRAIRIE PUBLIC SCHOOL NO. 1
 Petersburg, North Dakota
Schedule of District's Contributions
ND Teachers' Fund for Retirement
 Last 10 Fiscal Years*

| Year Ended June 30 | Statutorily Required Contribution | Contributions in Relation to the Statutorily Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Employee Payroll | Contributions as a % of Covered Employee Payroll |
|-----------------------|--------------------------------------|--|--|--|---|
| 2015 | 176,520 | 176,520 | 0 | 1,642,062 | 10.75% |
| 2016 | 224,097 | 224,097 | 0 | 1,757,705 | 12.75% |
| 2017 | 237,956 | 237,956 | 0 | 1,866,318 | 12.75% |
| 2018 | 240,781 | 240,781 | 0 | 1,888,476 | 12.75% |
| 2019 | 258,325 | 258,325 | 0 | 2,026,079 | 12.75% |

*Complete data for this schedule is not available prior to 2015.

Amounts presented in each fiscal year have a measurement date of the previous fiscal year end.

The notes to the required supplementary information are an integral part of this statement.

DAKOTA PRAIRIE PUBLIC SCHOOL NO. 1
 Petersburg, North Dakota
Schedule of District's Share of Net Pension Liability
ND Public Employees Retirement System
 Last 10 Fiscal Years*

| Year Ended June 30 | Employer's Proportion Of the Net Pension Liability (Asset) | Employer's Proportionate Share Of the Net Pension Liability (Asset) | Employer's Covered Employee Payroll | Employer's Proportionate Share Of the Net Pension Liability (Asset) as a % of its covered-employee Payroll | Plan Fiduciary Net Position As a % of the Total Pension Liability |
|-----------------------|--|---|---|--|--|
| 2015 | 0.058794% | 373,178 | 495,262 | 75.3% | 77.70% |
| 2016 | 0.064004% | 435,216 | 570,198 | 76.3% | 77.15% |
| 2017 | 0.061459% | 598,978 | 619,360 | 96.7% | 70.46% |
| 2018 | 0.058751% | 944,321 | 599,758 | 157.5% | 61.98% |
| 2019 | 0.056530% | 954,005 | 580,740 | 164.3% | 62.80% |

*Complete data for this schedule is not available prior to 2015.

Amounts presented in each fiscal year have a measurement date of the previous fiscal year end.

The notes to the required supplementary information are an integral part of this statement.

DAKOTA PRAIRIE PUBLIC SCHOOL NO. 1
 Petersburg, North Dakota
Schedule of District's Contributions
ND Public Employees Retirement System
 Last 10 Fiscal Years*

| Year Ended June 30 | Statutorily Required Contribution | Contributions in Relation to the Statutorily Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Employee Payroll | Contributions as a % of Covered Employee Payroll |
|-----------------------|--------------------------------------|--|--|--|---|
| 2015 | 35,263 | 35,263 | 0 | 495,262 | 7.12% |
| 2016 | 43,311 | 45,447 | (2,136) | 570,198 | 7.97% |
| 2017 | 44,841 | 43,200 | 1,641 | 619,360 | 6.97% |
| 2018 | 43,490 | 45,704 | (2,214) | 599,758 | 7.62% |
| 2019 | 42,774 | 48,609 | (5,835) | 580,740 | 8.37% |

*Complete data for this schedule is not available prior to 2015.

Amounts presented in each fiscal year have a measurement date of the previous fiscal year end.

The notes to the required supplementary information are an integral part of this statement.

DAKOTA PRAIRIE PUBLIC SCHOOL NO. 1
 Petersburg, North Dakota
Schedule of District's Share of Net OPEB Liability
ND Public Employees Retirement System
 Last 10 Fiscal Years*

| Year Ended June 30 | Employer's Proportion Of the Net OPEB Liability (Asset) | Employer's Proportionate Share Of the Net OPEB Liability (Asset) | Employer's Covered Employee Payroll | Employer's Proportionate Share Of the Net OPEB Liability (Asset) as a % of its covered-employee Payroll | Plan Fiduciary Net Position As a % of the Total OPEB Liability |
|-----------------------|---|--|---|---|---|
| 2018 | 0.055439% | 43,853 | 599,758 | 7.3% | 59.78% |
| 2019 | 0.053074% | 41,799 | 580,740 | 7.2% | 61.89% |

*Complete data for this schedule is not available prior to 2018.

Amounts presented in each fiscal year have a measurement date of the previous fiscal year end.

The notes to the required supplementary information are an integral part of this statement.

DAKOTA PRAIRIE PUBLIC SCHOOL NO. 1
 Petersburg, North Dakota
Schedule of District's OPEB Contributions
ND Public Employees Retirement System
 Last 10 Fiscal Years*

| Year Ended June 30 | Statutorily Required Contribution | Contributions in Relation to the Statutorily Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Employee Payroll | Contributions as a % of Covered Employee Payroll |
|-------------------------------------|--|---|---|--|---|
| 2018 | 6,972 | 7,318 | (346) | 599,758 | 1.22% |
| 2019 | 6,812 | 7,783 | (971) | 580,740 | 1.34% |

*Complete data for this schedule is not available prior to 2018.

Amounts presented in each fiscal year have a measurement date of the previous fiscal year end.

The notes to the required supplementary information are an integral part of this statement.

DAKOTA PRAIRIE PUBLIC SCHOOL NO. 1
Petersburg, North Dakota
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019

NOTE 1 BUDGETS

The District's board follows the procedures established by North Dakota law for the budgetary process. The business manager prepares an annual school district budget and property tax levy. The budget is prepared by funds, function and activity, and includes information on the past year, current year and requested appropriations for the next year.

The county treasurer collects all property taxes levied in the county, acting as agent for the various taxing authorities in the county. Collected taxes are remitted to the taxing authorities monthly unless the amount is insignificant.

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

- Administration prepares the District's budget using a modified accrual basis of accounting. The board reviews the budget and makes any necessary revisions. On or before July 31, the board adopts the final budget. The final budget and property tax levy request is sent to the county auditor by August 15.
- The budget may be amended during the year for any receipts and appropriations not anticipated at the time the budget was prepared except no amendment changing the taxes levied can be made after October 10.
- At year-end, the balance of each appropriation becomes a part of the unappropriated fund balance.

The District's expenses did not exceed budgeted amounts for any fund during the year ended June 30, 2019.

NOTE 2 PENSIONS

A. North Dakota Public Employees Retirement System

Changes of Benefit Terms

There were no changes to benefits for the year ended June 30, 2018, the most recent measurement date.

Changes of assumptions.

Amounts reported in 2019 reflect actuarial assumption changes effective July 1, 2018 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

The notes to the required supplementary information are an integral part of this statement.

B. North Dakota Teachers' Fund for Retirement

Changes of Benefit Terms

There were not changes to benefits for the year ended June 30, 2018, the most recent measurement date.

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

C. Other Post Employment Benefit

Changes of Benefit Terms

There were no changes to benefits for the year ended June 30, 2018, the most recent measurement date.

Changes of assumptions.

Amounts reported in 2019 reflect actuarial assumption changes effective July 1, 2018 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

SUPPLEMENTARY INFORMATION

DAKOTA PRAIRIE PUBLIC SCHOOL NO. 1
Petersburg, North Dakota
Detailed Statement of Revenue, Expenditures and Changes in Fund Balance - General Fund
Year Ended June 30, 2019

REVENUE:

LOCAL SOURCES

| | |
|------------------------------|---------------------|
| General Property Taxes | 1,564,200.48 |
| Misc Fund Tax Revenue | 41,335.98 |
| Services Provided Other LEAs | 91,533.38 |
| Interest Income | 10,008.28 |
| Preschool Tuition | 19,958.11 |
| Miscellaneous Local Revenues | 2,540.05 |
| Total Local Sources | <u>1,729,576.28</u> |

STATE SOURCES

| | |
|----------------------------|---------------------|
| Per Pupil Aid | 2,861,607.75 |
| Transportation Aid | 357,255.30 |
| State Child Placement | 1,503.44 |
| Vocational Aid | 31,330.68 |
| Total State Sources | <u>3,251,697.17</u> |

FEDERAL SOURCES

| | |
|------------------------------|-------------------|
| Title I | 169,102.60 |
| Title II | 9,105.18 |
| Total Federal Sources | <u>178,207.78</u> |

TOTAL REVENUE

5,159,481.23

DAKOTA PRAIRIE PUBLIC SCHOOL NO. 1
 Petersburg, North Dakota
(Cont'd) Detailed Statement of Revenue, Expenditures and Changes in Fund Balance - General Fund
 Year Ended June 30, 2019

EXPENDITURES:

REGULAR INSTRUCTION

| | |
|----------------------------------|--------------|
| Kindergarden Instruction | 61,830.55 |
| Elementary Instruction | 934,662.76 |
| Junior High Instruction | 253,394.19 |
| Senior High Instruction | 905,870.78 |
| Total Regular Instruction | 2,155,758.28 |

TUITION

| | |
|----------------------|------------|
| Tuition | 112,150.76 |
| Total Tuition | 112,150.76 |

SPECIAL EDUCATION PROGRAMS

| | |
|---|------------|
| Learning Disabled | 186,059.37 |
| Purchased Services LRSE | 229,686.22 |
| Preschool | 61,095.52 |
| Total Special Education Programs | 476,841.11 |

CAREER AND TECHNICAL EDUCATION PROGRAMS

| | |
|---|------------|
| Home Economics | 66,786.78 |
| Industrial Arts | 58,692.63 |
| Office Occupations | 77,262.42 |
| Total Career and Technical Education | 202,741.83 |

FEDERAL PROGRAMS

| | |
|-------------------------------|------------|
| Title I Programs | 169,102.60 |
| Total Federal Programs | 169,102.60 |

DAKOTA PRAIRIE PUBLIC SCHOOL NO. 1
 Petersburg, North Dakota
(Cont'd) Detailed Statement of Revenue, Expenditures and Changes in Fund Balance - General Fund
 Year Ended June 30, 2019

EXPENDITURES CONT'D:

STUDENT SUPPORT SERVICES

| | |
|---|---------------------|
| Guidance Services | 152,010.88 |
| General Administration - School Board | 46,393.55 |
| General Administration - Superintendent | 139,780.43 |
| School Administration - Principal | 348,741.19 |
| Support Services - Business | 95,365.50 |
| Operations and Maintenance | 398,000.29 |
| Transportation | 430,608.36 |
| Library Services | 38,104.64 |
| Instructional Staff Training | <u>2,722.00</u> |
| Total Student Support Services | 1,651,726.84 |

EXTRA CURRICULAR

| | |
|-------------------------------|-------------------|
| Student Transportation | 49,808.08 |
| Student Activities | <u>167,292.59</u> |
| Total Extra Curricular | 217,100.67 |

CAPITAL OUTLAY:

| | |
|-----------------|-----------|
| CAPITAL OUTLAY: | 71,475.00 |
|-----------------|-----------|

TOTAL EXPENSES

| | |
|--|---------------------|
| | <u>5,056,897.09</u> |
|--|---------------------|

| | |
|-------------------------------------|-------------------|
| Excess Revenue over (under) | <u>102,584.14</u> |
| Expenses before Interfund Transfers | |

OTHER FINANCING SOURCES (USES)

| | |
|---------------------------|-------------|
| Interfund Transfers (Out) | (78,012.15) |
|---------------------------|-------------|

| | |
|----------------------------|------------------|
| Net Change in Fund Balance | <u>24,571.99</u> |
|----------------------------|------------------|

| | |
|------------------------------|--------------|
| Fund balance - July 1 | 1,860,383.29 |
|------------------------------|--------------|

| | |
|-------------------------------|----------------------------|
| Fund balance - June 30 | <u><u>1,884,955.28</u></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***

To the School Board
 Dakota Prairie Public School No. 1

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dakota Prairie Public School No. 1, Petersburg, North Dakota, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the school district’s basic financial statements and have issued our report thereon dated May 07, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dakota Prairie Public School No. 1’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 the school district’s internal control. Accordingly, we do not express an opinion on the effectiveness of school district’s internal control.

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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies that we consider to be a material weakness and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider deficiency 2019-1, as described in the accompanying schedule of findings and questioned costs, to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider deficiency 2019-2, as described in the accompanying schedule of findings and questioned costs, to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dakota Prairie Public School No. 1'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 those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Dakota Prairie Public School No. 1's Response to Findings

Dakota prairie public school no. 1's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The school district's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Mortenson & Rygh
Certified Public Accountants
Park River, North Dakota
May 07, 2019

DAKOTA PRAIRIE PUBLIC SCHOOL NO. 1
Petersburg, North Dakota
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2019

FINDINGS RELATED TO INTERNAL CONTROL OVER FINANCIAL REPORTING:

2019-1 Segregation of Duties

Condition

The Dakota Prairie Public School No. 1, Petersburg, North Dakota has a lack of segregation of duties due to the limited number of office personnel. The school district has one business manager responsible for most accounting functions and general ledger maintenance. The business manager collects monies, issues receipts, deposits monies, issues checks, sends checks to vendors, records receipts and disbursements in journals, maintains the general ledger, and prepares financial statements.

Criteria

The guidance relating to internal control is contained in Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This framework includes discussions about the importance of adequate risk assessment, code of conduct, and background investigations. Proper internal accounting control dictates that sufficient accounting personnel should exist so that incompatible duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the Dakota Prairie Public School No. 1.

Effect

Without adequate fraud risk programs and controls the school district exposes itself to risk of loss of assets, potential liabilities, and damage to reputation, whether due to error or fraud.

Recommendation

We recommend sufficient staff be added to properly segregate duties. If the school district is unable to add additional staff, we recommend that the district implement any controls possible to separate the function of approval, posting of transactions, reconciliation, and custody of assets among existing staff. In addition, the school board's oversight role becomes more important. The school board should diligently review financial reports and request additional information for any items that may appear unusual before disbursements and financial reports are approved.

Client Response

No response is considered necessary.

2019-2 Financial Statement Preparation

Condition

Mortenson & Rygh assists the District's management in preparing financial statements and disclosures that are presented in accordance with the modified accrual basis of accounting. The District's internal control system is not designed to provide for the preparation of the financial statements and accompanying notes to the financial statements.

Criteria

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

Effect

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

Recommendation

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

Client Response

The District is aware of this condition, and will consider the risks and costs associated with the financial statement preparation. The District will continue to request that Mortenson & Rygh assist with preparation of financial statements.