

North Dakota Office of the State Auditor Division of Local Government

Devils Lake Public School District No. 1

Devils Lake, North Dakota

Audit Report for the Year Ended June 30, 2019



North Dakota State Auditor
Joshua C. Gallion

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

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DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

School Officials and Audit Staff

June 30, 2019

SCHOOL OFFICIALS

Lee Ann Johnston	President
Cory Meyer	Vice-President
Christy Cichos	Board Member
Jason Hodous	Board Member
Steve Halldorson	Board Member
Scott Privratsky	Superintendent
Melissa Haahr	Business Manager

AUDIT PERSONNEL

Craig Hashbarger, CPA, CIA, CFE	Audit Manager
Alex Bakken, CPA	Audit In-Charge

STATE AUDITOR

JOSHUA C. GALLION
Phone (701) 328-2241



Local Government Division
FARGO OFFICE
MANAGER – CRAIG HASHBARGER
Phone (701) 239-7250

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITAL
600 E. BOULEVARD AVENUE – DEPT 117
BISMARCK, NORTH DAKOTA 58505

INDEPENDENT AUDITOR'S REPORT

School Board of Directors
Devils Lake Public School District No. 1
Devils Lake, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Devils Lake Public School District No. 1, Devils Lake, North Dakota, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Devils Lake Public School District No. 1'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 Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Devils Lake Public School District No. 1, Devils Lake, North Dakota, 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 employer contributions, schedule of employer's share of net OPEB liability and employer contributions, and the notes to the required supplementary information* as presented in 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 School District's basic financial statements. The *schedule of expenditures of federal awards* and *notes to the schedule of expenditures of federal awards*, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the financial statements.

The *schedule of expenditures of federal awards* and *notes to the schedule of expenditures of federal awards* are the responsibility of management and were derived from and relates 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 *schedule of expenditures of federal awards* and *notes to the schedule of expenditures of federal awards* are 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 November 6, 2019 on our consideration of the Devils Lake Public School District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Devils Lake Public School District No. 1's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
November 6, 2019

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Statement of Net Position

June 30, 2019

	Governmental Activities
ASSETS	
Cash	\$ 6,219,354
Investment with Fiscal Agent	1,611,294
Intergovernmental Receivable	851,552
Due from County Treasurer	19,567
Prepaid Expenses	326,254
Taxes Receivable	221,321
Capital Assets	
Nondepreciable	193,394
Depreciable, Net	<u>10,468,014</u>
Total Assets	<u>\$ 19,910,750</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Derived from Pension & OPEB	<u>\$ 4,694,207</u>
 LIABILITIES	
Accounts Payable	\$ 199,194
Teacher Contracts Payable	1,203,890
Salaries and Benefits Payable	629,457
Health Insurance Payable	251,248
Interest Payable	4,332
Long-Term Liabilities	
Due Within One Year	
Long Term Debt	16,118
Early Retirement Payable	105,893
Compensated Absences Payable	4,435
Due After One Year	
Long Term Debt	2,552,659
Early Retirement Payable	43,371
Compensated Absences Payable	39,914
Net Pension & OPEB Liability	<u>25,085,078</u>
Total Liabilities	<u>\$ 30,135,589</u>
 DEFERRED INFLOWS OF RESOURCES	
Derived from Pension & OPEB	<u>\$ 2,617,047</u>
 NET POSITION	
Net Investment in Capital Assets	\$ 8,161,408
Restricted for	
Capital Projects	843,128
Debt Service	1,674,971
Special Purposes	302,417
Unrestricted	<u>(19,129,603)</u>
Total Net Position	<u>\$ (8,147,679)</u>

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

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Statement of Activities

For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Regular Instruction	\$ 10,974,794	\$ -	\$ -	\$ (10,974,794)
Special Education	2,804,201	-	1,754,279	(1,049,922)
Vocational Education	1,445,894	66,829	488,357	(890,708)
Federal Programs	1,993,634	-	2,367,944	374,310
District Wide Services	1,951,446	-	-	(1,951,446)
Administration	703,731	-	-	(703,731)
School Food Services	1,259,347	538,255	648,566	(72,526)
Operations and Maintenance	1,667,912	-	-	(1,667,912)
Transportation	974,922	8,625	651,643	(314,654)
Co-curricular Activities	1,020,897	111,840	-	(909,057)
Other Programs & Services	11,096	-	-	(11,096)
Interest and Fees on Long-Term Debt	67,358	-	-	(67,358)
Total Governmental Activities	<u>\$ 24,875,232</u>	<u>\$ 725,549</u>	<u>\$ 5,910,789</u>	<u>\$ (18,238,894)</u>
General Revenues				
Property Taxes				\$ 3,917,079
State Aid-Unrestricted				13,828,370
Interest Earnings				103,605
Miscellaneous Revenue				185,858
Change in Investment Market Value				<u>119,374</u>
Total General Revenues				<u>\$ 18,154,286</u>
Changes in Net Position				<u>\$ (84,608)</u>
Net Position - July 1				<u>\$ (8,063,071)</u>
Net Position - June 30				<u><u>\$ (8,147,679)</u></u>

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

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Balance Sheet – Governmental Funds

June 30, 2019

	General	Sinking & Interest Building Bonds 2009	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash & Investments	\$ 4,920,875	\$ 61,846	\$ 1,236,633	\$ 6,219,354
Restricted Investment	-	1,611,294	-	1,611,294
Intergovernmental Receivable	851,552	-	-	851,552
Due from County Treasurer	16,261	950	2,356	19,567
Prepaid Expenses	326,254	-	-	326,254
Taxes Receivable	178,430	11,973	30,918	221,321
Total Assets	<u>\$ 6,293,372</u>	<u>\$ 1,686,063</u>	<u>\$ 1,269,907</u>	<u>\$ 9,249,342</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts Payable & Other Payables	\$ 199,194	\$ -	\$ -	\$ 199,194
Teacher Contracts Payable	1,203,890	-	-	1,203,890
Salaries and Benefits Payable	629,457	-	-	629,457
Health Insurance Payable	188,902	-	62,346	251,248
Total Liabilities	<u>\$ 2,221,443</u>	<u>\$ -</u>	<u>\$ 62,346</u>	<u>\$ 2,283,789</u>
Deferred Inflows of Resources				
Uncollected Taxes	<u>\$ 178,430</u>	<u>\$ 11,973</u>	<u>\$ 30,918</u>	<u>\$ 221,321</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 2,399,873</u>	<u>\$ 11,973</u>	<u>\$ 93,264</u>	<u>\$ 2,505,110</u>
Fund Balances				
Non-spendable				
Prepaid Expenses	\$ 326,254	\$ -	\$ -	326,254
Restricted				
Capital Projects	-	-	819,563	819,563
Debt Service	-	1,674,090	61,733	1,735,823
Assigned				
Special Reserve	-	-	276,877	276,877
Food Service	-	-	18,470	18,470
Unassigned	3,567,245	-	-	3,567,245
Total Fund Balances	<u>\$ 3,893,499</u>	<u>\$ 1,674,090</u>	<u>\$ 1,176,643</u>	<u>\$ 6,744,232</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,293,372</u>	<u>\$ 1,686,063</u>	<u>\$ 1,269,907</u>	<u>\$ 9,249,342</u>

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

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

June 30, 2019

Total Fund Balances for Governmental Funds \$ 6,744,232

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

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds. 10,661,408

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. 221,321

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

Deferred Outflows Related to Pensions & OPEB	\$ 4,694,207	
Deferred Inflows Related to Pensions & OPEB	<u>(2,617,047)</u>	2,077,160

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

Long Term Debt	\$ (2,568,777)	
Interest Payable	(4,332)	
Early Retirement Payable	(149,264)	
Compensated Absences Payable	(44,349)	
Net Pension & OPEB Liability	<u>(25,085,078)</u>	<u>(27,851,800)</u>

Total Net Position of Governmental Activities \$ (8,147,679)

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

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended June 30, 2019

	General	Sinking & Interest Building Bonds 2009	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local Sources	\$ 3,722,710	\$ 205,729	\$ 1,071,837	\$ 5,000,276
State Sources	16,635,357	-	-	16,635,357
Federal Sources	2,367,944	-	648,565	3,016,509
Total Revenues	\$ 22,726,011	\$ 205,729	\$ 1,720,402	\$ 24,652,142
EXPENDITURES				
Current				
Regular Instruction	\$ 10,710,001	\$ -	\$ -	\$ 10,710,001
Special Education	2,745,709	-	-	2,745,709
Vocational Education	1,403,557	-	-	1,403,557
Federal Programs	1,954,236	-	-	1,954,236
District Wide Services	1,728,003	-	200,000	1,928,003
Administration	688,186	-	-	688,186
School Food Services	-	-	1,233,343	1,233,343
Operations and Maintenance of Plant	1,723,016	-	-	1,723,016
Transportation	996,810	-	-	996,810
Co-curricular Activities	946,582	-	-	946,582
Other Programs and Services	245	-	-	245
Debt Service				
Principal	-	-	16,118	16,118
Interest	-	56,250	4,439	60,689
Fees	-	3,425	3,582	7,007
Total Expenditures	\$ 22,896,345	\$ 59,675	\$ 1,457,482	\$ 24,413,502
Excess (Deficiency) of Revenues Over Expenditures	\$ (170,334)	\$ 146,054	\$ 262,920	\$ 238,640
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 100,000	\$ -	\$ -	\$ 100,000
Change in investment market value	-	119,374	-	119,374
Transfers Out	-	-	(100,000)	(100,000)
Total Other Financing Sources and Uses	\$ 100,000	\$ 119,374	\$ (100,000)	\$ 119,374
Net Change in Fund Balances	\$ (70,334)	\$ 265,428	\$ 162,920	\$ 358,014
Fund Balances - July 1	\$ 3,963,833	\$ 1,408,662	\$ 1,013,723	\$ 6,386,218
Fund Balances - June 30	\$ 3,893,499	\$ 1,674,090	\$ 1,176,643	\$ 6,744,232

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

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2019

Net Change in *Fund Balances* - Total Governmental Funds **\$ 358,014**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year.

Current Year Capital Outlay	\$ 318,880	
Current Year Depreciation Expense	<u>(502,620)</u>	(183,740)

In the statement of activities, the loss or gain on sale or disposal of capital assets is recognized. The fund financial statements do not recognize losses on disposal of capital assets.

(13,106)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The issuance of long-term debt provides current financial resources to governmental funds, however, the debt principal issued increases liabilities in the statement of net position. This is the amount of debt repayment.

16,118

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

Decrease in Early Retirement Payable	\$ 227,580	
Decrease in Compensated Absences Payable	45,807	
Decrease in Interest Payable	<u>338</u>	273,725

The net pension & OPEB liability, and related deferred outflows of resources and deferred inflows of resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are noreported in the funds.

Decrease in Net Pension & OPEB Liability	\$ 1,265,254	
Decrease in Deferred Outflows of Resources	(1,019,202)	
Increase in Deferred Inflows of Resources	<u>(800,779)</u>	(554,727)

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

19,108

Change in Net Position of Governmental Activities

\$ (84,608)

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

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Statement of Fiduciary Assets and Liabilities - Agency Funds

June 30, 2019

	Agency Funds
ASSETS	
Cash	\$ 1,657,176
Prepaid Expenses	10,648
Accounts & Intergovernmental Receivable	<u>178,805</u>
 Total Assets	 <u><u>\$ 1,846,629</u></u>
 LIABILITIES	
Salaries Payable	\$ 23,101
Health and Life Insurance Payable	100,394
Contracts Payable	47,206
Due to Other Units	910,218
Due to Student Activities Groups	<u>765,710</u>
 Total Liabilities	 <u><u>\$ 1,846,629</u></u>

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

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Devils Lake Public School District No. 1, Devils Lake, North Dakota, (hereafter referred to as the "School District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Reporting Entity

The accompanying financial statements present the activities of the School District. The School District has considered all potential component units for which the School District is financially accountable and other organizations for which the nature and significance of their relationships with the School District such that exclusion would cause the School District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the School District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the School District.

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

Basis of Presentation, Basis of Accounting

Government-wide statements: The statement of net position and the statement of activities display information about the School District. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

Fund Financial Statements. The fund financial statements provide information about the School District's funds including its fiduciary funds. Separate statements for each fund category—*governmental* and *fiduciary*—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The School District reports the following major governmental funds:

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

Sinking & Interest Building Bonds 2009 Fund - This fund is used to account for financial resources to be used for payment of long-term debt principal, interest and related costs of the \$2,500,000 general obligation school building bonds (series 2009).

The School District reports the following fund type:

Agency Funds. These fund accounts for assets by the School District in a custodial capacity as an agent on behalf of others. The School District's agency fund is used to account for various deposits of the student activity funds and to other governmental units, such as the Northeast Education Services Cooperative ("NESC").

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

Cash and Investments

Cash includes amounts in demand deposits, money market accounts, and highly liquid short-term investments with original maturities of three months or less. The School District also has an investment in treasury strips held by a fiscal agent.

Capital Assets

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

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

Buildings	50
Improvements	10-50
Playground Equipment	20
Vehicles	15
Equipment/Furniture	10
Copy Machines	5

Compensated Absences

Vested or accumulated unused personal leave for qualified employees is reported in the government-wide statement of net position. Each teacher is credited with three days of personal leave at the beginning of each year. Each teacher is allowed to accumulate personal leave of up to a total of seven days and teachers are paid \$100 for each unused personal day. Vested and accumulated personal leave is reported in the government-wide statement of net position.

Long-Term Obligations

In the government-wide financial statements, long term debt and other long-term obligations, such as compensated absences and early retirement payable, are reported in the governmental activities statement of net position. Bond premiums, discounts and issuance costs, when applicable, are recognized in the current period since the amounts are not material.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Pensions

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

Other Post-Employment Benefits (OPEB)

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

Fund Balances

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

Minimum Fund Policy. The Devils Lake Public School District budget committee established a minimum of 10% general fund carryover balance target several years ago to help with financial stability. The minimum 10% fund balance carryover is a part of the budget recommendation adopted by the School District's Board of Directors each fiscal year. This level provides sufficient unassigned resources to avoid short-term cash flow borrowing for the district.

Non-Spendable Fund Balance. Non-spendable fund balance consists of prepaid items.

Restricted Fund Balances. Restricted fund balances are shown by primary function on the balance sheet. Restricted fund balances are restricted by enabling legislation (primarily state law for tax levies) and by outside 3rd parties (State & Federal governments for various grants & reimbursements).

Unassigned Fund Balances. Unassigned fund balances are reported in the general fund.

Net Position

Net investment in capital assets is reported for capital assets less accumulated depreciation and any related debt issued to finance/construct them. The resources needed to repay this related debt must be provided from other sources, since capital assets are not used to liquidate these liabilities. These assets are not available for future spending.

Restrictions of net position are due to restricted tax levies and bond indenture requirements for our capital projects/debt service.

Unrestricted net position is primarily unrestricted amounts related to the general fund, and negative net position. Unrestricted net position is available to meet the district's ongoing obligations.

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

Interfund Transactions

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

All other interfund transactions, except reimbursements, are reported as transfers.

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

NOTE 2 DEPOSITS

Custodial Credit Risk

Credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution's failure, the School District would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The School District does not have a formal policy regarding deposits that limits the amount it may invest in any one issuer.

In accordance with North Dakota Statutes, deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the state of North Dakota. Whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board.

At year ended June 30, 2019, the School District's carrying amount of deposits was \$7,876,531 and the bank balances totaled \$8,195,528. Of the bank balances, \$1,526,338 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

Treasury strips reported at cost/par value totaling \$1,458,958 are being held as investments to retire debt on December 15, 2024. At June 30, 2019, the treasury strips have a market value of \$1,611,294. The amounts are invested by a broker on behalf of the School District in U.S. Treasury bonds.

Interest Rate Risk

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

As authorized in North Dakota Statutes, idle funds may be invested as follows:

- (a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.
- (b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- (c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- (d) Obligations of the state.
- (e) Commercial paper issued by a United States corporation rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less.

The School District is invested in treasury strips that are subject to interest rate risk. The fair value of the investments and their maturing dates can be seen below:

Investment Type	Total Fair Value	1-6 Months	7-12 Months	1-5 Years	More Than 5 Years
Treasury Strips	\$ 1,611,294	-	-	-	\$ 1,611,294

NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with GASB Statement No. 72, assets, deferred outflows of resources, liabilities and deferred inflows of resources are grouped at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The following table below presents the balances of assets measured at fair value on a recurring basis at June 30, 2019:

	Quoted Prices In Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
Asset				
Government Bonds	\$ -	\$ 1,611,294	\$ -	\$ 1,611,294

NOTE 4 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.

NOTE 5 CAPITAL ASSETS

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

Governmental Activities	Balance Jul 1	Increases	Decreases	Transfers	Balance Jun 30
Capital Assets Not Being Depreciated					
Land	\$ 170,100	\$ -	\$ -	\$ -	\$ 170,100
Construction in Progress	60,821	63,698	-	(101,225)	23,294
Total Capital Assets, Not Being Depreciated	\$ 230,921	\$ 63,698	\$ -	\$ (101,225)	\$ 193,394
Capital Assets Being Depreciated					
Vehicles	\$ 2,188,547	\$ 164,181	\$ 18,909	\$ -	\$ 2,333,819
Copy Machines	-	-	-	-	-
Playground Equipment	215,979	-	-	-	215,979
Equipment/Furniture	737,953	91,000	22,500	-	806,453
Buildings	17,985,121	-	-	101,225	18,086,346
Total Capital Assets, Being Depreciated	\$ 21,127,600	\$ 255,181	\$ 41,409	\$ 101,225	\$ 21,442,597
Less Accumulated Depreciation					
Vehicles	\$ 1,099,914	\$ 116,818	\$ 5,803	\$ -	\$ 1,210,929
Copy Machines	-	-	-	-	-
Playground Equipment	112,640	10,549	-	-	123,189
Equipment/Furniture	425,418	41,889	22,500	-	444,807
Buildings	8,862,295	333,363	-	-	9,195,658
Total Accumulated Depreciation	\$ 10,500,267	\$ 502,619	\$ 28,303	\$ -	\$ 10,974,583
Total Capital Assets Being Depreciated, Net	\$ 10,627,333	\$ (247,438)	\$ 13,106	\$ 101,225	\$ 10,468,014
Governmental Activities Capital Assets, Net	\$ 10,858,254	\$ (183,740)	\$ 13,106	\$ -	\$ 10,661,408

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

Regular Instruction	\$ 213,263
Special Education	17,777
Vocational Education	22,887
Administration	7,151
Food Services	10,445
Operations/Maintenance	38,750
Transportation	97,997
Co-Curricular	94,349
Total Depreciation Expense	\$ 502,619

NOTE 6 LONG-TERM LIABILITIES

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

	Balance Jul 1	Increases	Decreases	Balance Jun 30	Due Within One Year
Long Term Debt					
General Obligation Bonds	\$ 2,500,000	\$ -	\$ -	\$ 2,500,000	\$ -
Special Assessments	84,895	-	16,118	68,777	16,118
Total Long Term Debt	\$ 2,584,895	\$ -	\$ 16,118	\$ 2,568,777	\$ 16,118
Early Retirement Agreements	\$ 376,844	\$ -	\$ 227,580	\$ 149,264	\$ 105,893
Compensated Absences *	90,156	-	45,807	44,349	4,435
Net Pension & OPEB Liability *	26,350,332	-	1,265,254	25,085,078	-
Total Governmental Activities	\$ 29,402,227	\$ -	\$ 1,554,759	\$ 27,847,468	\$ 126,446

* - The change in compensated absences and net pension & OPEB liability are shown as net changes because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost.

Debt service requirements on long-term debt at June 30, 2019 are as follows:

Governmental Activities				
Year Ending Jun 30	G.O. Bonds Payable		Special Assessments	
	Principal	Interest	Principal	Interest
2020	\$ -	\$ 56,250	\$ 16,118	\$ 3,545
2021	-	56,250	16,118	2,650
2022	-	56,250	8,543	1,756
2023	-	56,250	8,543	1,316
2024	-	56,250	8,543	876
2025 - 2029	2,500,000	28,125	10,912	873
Total	\$ 2,500,000	\$ 309,375	\$ 68,777	\$ 11,016

NOTE 7 PENSION PLANS

General Information about the TFFR Pension Plan

North Dakota Teachers' Fund for Retirement TFFR

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.

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1
Notes to the Financial Statements – Continued

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 service 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 a 100% funded ratio on an actuarial basis.

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70 ½. 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.

Inflows of Resources Related to Pensions

At June 30, 2019, the School District reported a liability of \$20,035,540 for its proportionate share of net pension liability. The net pension liability was measured as of July 1, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district's proportion of the net pension liability was based on the district's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2018, the district's proportion was 1.503201%, a decrease of .040639%.

For the year ended June 30, 2019, the district recognized pension expense of \$1,404,556. At June 30, 2019, the district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 54,378	\$ 544,911
Changes of Assumptions	1,103,723	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	69,269
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	1,545,725
District Contributions Subsequent to the Measurement Date	1,370,742	-
Total	\$ 2,528,843	\$ 2,159,905

\$1,370,742, reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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

2019	\$ 289,308
2020	9,230
2021	(482,125)
2022	(451,771)
2023	(232,929)
Thereafter	(133,517)

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:

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Notes to the Financial Statements – Continued

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.

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 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
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% 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 June 30, 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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount rate

The following presents the district's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the district's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 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%)
School District's Proportionate Share of the Net Pension Liability	\$ 27,053,776	\$ 20,035,540	\$ 14,198,548

General Information about the NDPERS Pension Plan

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 provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 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 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 contributions rates are 7.12% of covered compensation.

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Notes to the Financial Statements – Continued

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 School District reported a liability of \$4,837,582 for its proportionate share of 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 proportion of the net pension liability was based on their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2018, the entities had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2017 Measurement	Pension Expense
Primary Government	0.2866530%	-0.0192560%	\$ 785,548

At June 30, 2019, the following deferred outflows of resources and deferred inflows of resources were reported related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 12,805	\$ 164,584
Changes of Assumptions	1,746,266	69,047
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	23,535
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	124,610	179,415
District Contributions Subsequent to the Measurement Date	221,820	-
Total	\$ 2,105,501	\$ 436,581

\$221,820 was 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, 2019.

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

2019	\$ 485,390
2020	421,105
2021	355,275
2022	186,073
2023	(743)

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	2.50%
Salary increases	<div>Service at Beginning of year:</div> <div> <div>Increase Rate:</div> <div>0 15.00%</div> <div>1 10.00%</div> <div>2 8.00%</div> </div> <div>Age*</div> <div> <div>Under 30 10.00%</div> <div>30 – 39 7.50%</div> <div>40 – 49 6.75%</div> <div>50 – 59 6.50%</div> <div>60+ 5.25%</div> </div> <div>* Age-based salary increase rates apply for employees with three or more years of service</div>
Investment rate of return	7.75%, 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 are based on the RP-2000 Disabled Retiree Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and 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%	10.2%
Domestic Fixed Income	23%	1.45%
International Fixed Income	0%	0.00%
Global Real Assets	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).

The pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. 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 School District's Proportionate Share of the Net Pension Liability to Changes in the Discount rate

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

	1% Decrease (5.44%)	Current Discount Rate (6.44%)	1% Increase (7.44%)
School District's Proportionate Share of the Net Pension Liability	\$ 6,573,375	\$ 4,837,582	\$ 3,389,119

Pension Plan Fiduciary Net Position

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

NOTE 8 OPEB PLAN

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.

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Notes to the Financial Statements – Continued

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 School District reported a liability of \$211,956 for its proportionate share of net OPEB liability. The net OPEB 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 proportion of the net OPEB liability was based on their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2018, the entities had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2017 Measurement	Pension Expense
Primary Government	0.2691270%	-0.0195340%	\$ 24,343

At June 30, 2019, the following deferred outflows of resources and deferred inflows of resources were reported related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 6,348	\$ 4,379
Changes of Assumptions	17,391	-
Net Difference Between Projected and Actual Investment		
Earnings on OPEB Plan Investments	-	4,560
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	-	11,622
Employer Contributions Subsequent to the Measurement Date	36,124	-
Total	\$ 59,863	\$ 20,561

\$36,124 was 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, 2019

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

2019	\$ (69)
2020	(69)
2021	(69)
2022	1,943
2023	1,574
2024	109
Thereafter	(241)

Actuarial assumptions

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
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, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	37%	7.15%
Small Cap Domestic Equities	9%	14.42%
International Equities	14%	8.83%
Core-Plus Fixed Income	40%	0.10%

Discount rate

The discount rate used to measure the total OPEB liability was 7.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the Plans as of June 30, 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:

Proportionate Share of the Net OPEB Liability	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School District's Proportionate Share of the Net OPEB Liability	\$ 268,175	\$ 211,956	\$ 163,762

NOTE 9 RISK MANAGEMENT

The School District is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986 state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The School District pays an annual premium to NDIRF for its general liability, automobile insurance coverage and inland marine. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and automobile and \$240,297 for mobile equipment and portable property. The School District also insures machinery and equipment with Hartford Steam Boiler Inspection and Insurance Company. Coverage is limited to \$23,442,387.

The School District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The School 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 two million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of two million dollars for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The School District has worker's compensation with the Workforce, Safety and Insurance and purchases commercial insurance for employee health and accident insurance.

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

NOTE 10 EARLY RETIREMENT

The School District offers early retirement payments to professional employees under School Board policy "Retirement Incentive for Professional Staff Members". Under this policy, teachers and administrators are eligible for a pre-determined one-time payment based on a proportion of the current annual salary at the time of retirement. To be eligible for the plan an employee must meet one of the following requirements:

- Teaching employee has attained the earliest occurring of the following eligibility standards of the Teacher's Fund for retirement (TFFR) of North Dakota for a normal (unreduced service retirement: the employee has a combined age and years of service credit equal to 85 as determined by TFFR; or, the employee has attained age 65.
- Professional staff members must have completed 15 years of consecutive full-time certified employment in the School District to be eligible for retirement under NDPERS.

A liability for remaining early retirement payments at year-end is reported in the statement of net position. For the year ended June 30, 2019 the School District had eleven employees who received this benefit for a cost to the School District of \$227,580. The balance due at June 30, 2019 is due as follows:

Year Ending Jun 30	Early Amount
2020	105,893
2021	43,371
Total	\$ 149,264

NOTE 11 COMMITMENTS

The School District has the following commitments outstanding at June 30, 2019:

Project	Original Contract	Change Orders	Total Contract	Completed	Retainages	Remaining Commitment
Access System Install	\$ 46,587	\$ -	\$ 46,587	\$ 23,294	\$ -	\$ 23,293

NOTE 12 OPERATING LEASES

The School District leases copiers under non-cancelable operating leases. Total costs for such leases were \$37,128 for the year ended June 30, 2019.

The future minimum lease payments for these leases are as follows:

Year Ending Jun 30	Operating Lease
2020	37,128
2021	37,128
Total	\$ 74,256

NOTE 13 TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the financial statements for the year ended June 30, 2019:

	Transfers In	Transfers Out
Major Funds		
General Fund	\$ 100,000	\$ -
Non-Major Funds		
Special Reserve Fund	-	100,000
Total Transfers	\$ 100,000	\$ 100,000

Funds were transferred from the special reserve fund to the general fund for capital improvement projects.

NOTE 14 TAX ABATEMENTS

Devils Lake Public School District No. 1 and political subdivisions within Ramsey County can negotiate property tax abatement agreements with individuals and various commercial entities/businesses. Ramsey County and the political subdivisions within have the following types of tax abatement agreements with various individuals and commercial entities at June 30, 2019.

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

Public Charity Exemption

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

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

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

FY2019 reduction in taxes due to agreements with other entities – \$56,134

NOTE 15 SUBSEQUENT EVENTS

The School District is a defendant in a lawsuit incident to its operations. In the opinion of management, such claims against the School District not covered by insurance would not materially affect the condition of the School District.

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Budgetary Comparison Schedule - General Fund

June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local Sources	\$ 3,876,200	\$ 3,876,200	\$ 3,722,710	\$ (153,490)
State Sources	16,390,327	16,397,679	16,635,357	237,678
Federal Sources	2,448,749	2,473,084	2,367,944	(105,140)
Total Revenues	\$ 22,715,276	\$ 22,746,963	\$ 22,726,011	\$ (20,952)
EXPENDITURES				
Current				
Regular Instruction	\$ 11,325,063	\$ 11,332,415	\$ 10,710,001	\$ 622,414
Special Education	2,846,615	2,846,615	2,745,709	100,906
Vocational Education	1,441,815	1,441,815	1,403,557	38,258
Federal Programs	2,073,749	2,098,084	1,954,236	143,848
District Wide Services	1,386,779	1,386,779	1,728,003	(341,224)
Administration	695,140	695,140	688,186	6,954
Operations and Maintenance	1,653,375	1,653,375	1,723,016	(69,641)
Transportation	1,016,875	1,016,875	996,810	20,065
Co-curricular Activities	1,022,930	1,022,930	946,582	76,348
Other Programs & Services	11,070	11,070	245	10,825
Total Expenditures	\$ 23,473,411	\$ 23,505,098	\$ 22,896,345	\$ 608,753
Excess (Deficiency) of Revenues Over Expenditures	\$ (758,135)	\$ (758,135)	\$ (170,334)	\$ 587,801
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Net Changes in Fund Balances	\$ (758,135)	\$ (658,135)	\$ (70,334)	\$ 587,801
Fund Balances - July 1	\$ 3,078,087	\$ 3,078,087	\$ 3,963,833	\$ 885,746
Fund Balances - June 30	\$ 2,319,952	\$ 2,419,952	\$ 3,893,499	\$ 1,473,547

The accompanying required supplementary information notes are an integral part of this schedule.

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Schedule of Employer's Share of Net Pension Liability and Employer Contributions

For the Year Ended June 30, 2019

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

	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	1.503201%	\$ 20,035,540	\$ 10,218,902	196.06%	65.50%
2018	1.543840%	21,205,036	10,420,476	203.49%	63.20%
2017	1.587603%	23,259,323	10,315,055	225.49%	59.20%
2016	1.654329%	17,920,776	9,920,576	180.64%	62.10%
2015	1.710287%	17,920,776	9,920,576	180.64%	66.60%

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

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2019	\$ 1,302,910	\$ 1,302,910	\$ -	\$ 10,218,902	12.75%
2018	1,328,611	1,328,611	-	10,420,476	12.75%
2017	1,315,170	1,315,170	-	10,315,055	12.75%
2016	1,264,873	1,264,873	-	9,920,576	12.75%
2015	1,066,462	1,066,462	-	9,920,576	10.75%

**Schedule of Employer's Share of Net Pension Liability
North Dakota Public Employees Retirement System
Last 10 Fiscal Years**

	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.286653%	\$ 4,837,582	\$ 2,944,831	164.27%	62.80%
2018	0.305909%	4,916,962	3,122,854	157.45%	61.98%
2017	0.281076%	2,739,360	2,832,581	96.71%	70.46%
2016	0.287721%	1,956,454	2,563,249	76.33%	77.15%
2015	0.295803%	1,877,525	2,491,788	75.35%	77.70%

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1**Schedule of Employer's Share of Net Pension Liability and Employer Contributions - Continued**

**Schedule of Employer Contributions
North Dakota Public Employees Retirement System
Last 10 Fiscal Years**

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	District's covered- employee payroll	Contributions as a percentage of covered-employee payroll
2019	\$ 216,900	\$ 225,860	\$ (8,960)	\$ 2,944,831	7.67%
2018	226,445	225,463	982	3,122,854	7.22%
2017	205,074	210,960	(5,886)	2,832,581	7.45%
2016	194,699	209,352	(14,653)	2,563,249	8.17%
2015	177,415	177,415	-	2,491,788	7.12%

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

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions
For the Year Ended June 30, 2019

**Schedule of Employer's Share of Net OPEB Liability
North Dakota Public Employees Retirement System
Last 10 Fiscal Years**

	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2019	0.269127%	\$ 211,956	\$ 2,944,831	7.20%	61.89%
2018	0.288661%	228,334	3,122,854	7.31%	59.78%

**Schedule of Employer Contributions
North Dakota Public Employees Retirement System
Last 10 Fiscal Years**

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2019	\$ 34,541	\$ 36,162	\$ (1,621)	\$ 2,944,831	1.23%
2018	36,301	36,098	203	\$ 3,122,854	1.16%

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

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Notes to the Required Supplementary Information

For the Year Ended June 30, 2019

NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The School District adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States for the general fund, special revenue funds, debt service funds, and capital project funds.

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

- The annual budget must be prepared and school district taxes must be levied on or before the fifteenth day of August of each year.
- The taxes levied must be certified to the county auditor by August twenty-fifth. The governing body of the school district may amend its tax levy and budget on or before the tenth day of October of each year but the certification must be filed with the county auditor within the time limitations as outlined in NDCC section 57-15-31.1.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the superintendent and business manager at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- All appropriations lapse at year-end.

NOTE 2 SCHEDULE OF EMPLOYER PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

GASB Statements No. 68 and 75 require ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

NOTE 3 CHANGES OF ASSUMPTIONS – PENSION AND OPEB

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

NOTE 4 LEGAL COMPLIANCE - BUDGETS

The school board amended the school district budget for FY2019 as follows:

	Original Budget	Budget Amendment	Amended Budget
General Fund			
Revenues/Transfers In	\$ 22,815,276	\$ 31,687	\$ 22,846,963
Expenditures	23,473,411	31,687	23,505,098

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2019

CFDA Number	Program Title	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF INTERIOR			
Passed through the Spirit Lake Tribe			
15.130	Indian Education - Assistance to Schools	None	\$ 54,765
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the North Dakota State Department of Public Instruction			
10.555	National School Lunch Program	F10555	\$ 406,375
10.555	Commodity Supplemental Food Program	36001	78,060
10.553	School Breakfast Program	F10553	129,615
10.559	Summer Food Service Program For Children	F10559	14,379
	<i>Child Nutrition Cluster</i>		<u>\$ 628,429</u>
10.560	State Administrative Expenses for Child Nutrition	F10560A	\$ 6,621
10.575	Farm to School Grant Program	F10575	5,079
10.582	Fresh Fruit and Vegetable Program	F10582	52,805
Total U.S. Department of Agriculture			<u>\$ 692,934</u>
U.S. DEPARTMENT OF EDUCATION			
Direct Assistance			
84.041	Impact Aid	None	\$ 133,777
84.060	Indian Education-Grants to Local Education Agencies	None	342,904
84.299	Indian Education - Special Programs for Indian Children	None	257,511
Total Direct Assistance			<u>\$ 734,192</u>
Passed through the North Dakota State Department of Public Instruction			
84.010	Title I Grants to Local Education Agencies	F84010	\$ 723,354
84.027	Special Education-Grants to States	F84027A	8,966
84.287	Twenty-First Century Community Learning Centers	F84287	330,068
84.367	Supporting Effective Instruction State Grant	F84367	242,804
84.371	Striving Readers	F84371C	443,152
84.424	Student Support and Academic Enrichment Program	F84424A	92,275
Passed through the North Dakota State Board of Vocational Education			
84.048	Career and Technical Education - Basic Grants to States	None	\$ 146,463
Total U.S. Department of Education			<u>\$ 2,721,274</u>
Total Expenditures of Federal Awards			<u><u>\$ 3,468,973</u></u>

* - Noncash assistance

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Notes to The Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2019

NOTE 1 BASIS OF PRESENTATION / ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Devils Lake Public School District under programs of the federal government for the year ended June 30, 2019. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of the Devils Lake Public School District, it is not intended to and does not present the financial position or changes in net position of the Devils Lake Public School District. Expenditures represent only the federally funded portions of the program. School District records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E of the *Uniform Guidance*, wherein certain types of expenditures are allowable or are limited as to reimbursement.

NOTE 3 NON-CASH AWARDS

The amount of commodities reported on the schedule is the value of the supplemental food program distributed by the district during the year as priced by the North Dakota Department of Public Instruction.

NOTE 4 SCHOOL-WIDE PROGRAMS

The Devils Lake Public School District operates a 'schoolwide program' in elementary buildings. Using federal funding, schoolwide programs are designed to provide an entire educational program within a school for all students, rather than limit services to certain targeted individuals. The federal program amount expended by the district in the schoolwide program for Title I (84.010) was \$723,354.

NOTE 5 PASS-THROUGH GRANT NUMBER

For Federal Pass-through programs marked "None", the Devils Lake Public School District was unable to obtain a pass-through grant number.

STATE AUDITOR

JOSHUA C. GALLION
Phone (701) 328-2241



Local Government Division
FARGO OFFICE
MANAGER – CRAIG HASHBARGER
Phone (701) 239-7250

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITAL
600 E. BOULEVARD AVENUE – DEPT 117
BISMARCK, NORTH DAKOTA 58505

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*

Independent Auditor's Report

School Board of Directors
Devils Lake Public School District No. 1
Devils Lake, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Devils Lake Public School District No. 1, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Devils Lake Public School District No. 1's basic financial statements, and have issued our report thereon dated November 6, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Devils Lake Public School District 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 Devils Lake Public School District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of the Devils Lake Public School District No. 1's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying *Schedule of Findings and Questioned Costs* as item 2019-001 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 the deficiency described in the accompanying *Schedule of Findings and Questioned Costs* as item 2019-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Devils Lake Public School District 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*.

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

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* - Continued

Devils Lake Public School District No. 1's Response to Findings

Devils Lake Public School District No. 1's response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. Devils Lake Public School District No. 1'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.

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
November 6, 2019

STATE AUDITOR

JOSHUA C. GALLION
Phone (701) 328-2241



Local Government Division
FARGO OFFICE
MANAGER – CRAIG HASHBARGER
Phone (701) 239-7250

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITAL
600 E. BOULEVARD AVENUE – DEPT 117
BISMARCK, NORTH DAKOTA 58505

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

School Board of Directors
Devils Lake Public School District No. 1
Devils Lake, North Dakota

Report on Compliance for Each Major Federal Program

We have audited the Devils Lake Public School District No. 1's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Devils Lake Public School District No. 1's major federal program for the year ended June 30, 2019. The Devils Lake Public School District No. 1's major federal program is identified in the summary of auditor's results section of the accompanying schedule of auditor's results, findings, and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Devils Lake Public School District No. 1's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Devils Lake Public School District No. 1's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Devils Lake Public School District No. 1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

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* - Continued

Report on Internal Control Over Compliance

Management of the Devils Lake Public School District No. 1 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Devils Lake Public School District No. 1's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Devils Lake Public School District No. 1's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
November 6, 2019

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Summary of Auditor's Results
For the Year Ended June 30, 2019

Financial Statements

Type of Report Issued?	
Governmental Activities	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting

Material weaknesses identified?	<u> X </u> Yes	<u> </u> None Noted
Significant deficiencies identified not considered to be material weaknesses?	<u> X </u> Yes	<u> </u> None Noted
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> None Noted

Federal Awards

Internal Control Over Major Programs:

Material weaknesses identified?	<u> </u> Yes	<u> X </u> None noted
Reportable conditions identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None noted
Type of Auditor's Report Issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with CFR §200.516 (Uniform Guidance) requirements?	<u> </u> Yes	<u> X </u> None noted

Identification of Major Programs

CFDA Number	Name of Federal Program or Cluster
84.284	Twenty-First Century Community Learning Centers
84.010	Title I Grants to Local Educational Agencies
84.041	Impact Aid

Dollar threshold used to distinguish between Type A and B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes X No

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2019

SECTION I - FINANCIAL STATEMENT FINDINGS

2018-001 FINANCIAL STATEMENT PREPARATION

Condition

Devils Lake Public School District does not have an internal control system over financial reporting designed to provide for the preparation of the financial statements, including the accompanying note disclosures, as required by Generally Accepted Accounting Principles (GAAP). Thus, management has elected to have the financial statements and note disclosures be prepared by the auditors.

Criteria

Management of Devils Lake Public School District is responsible for establishing proper internal control over the preparation of Devils Lake Public School District's annual financial statements to ensure that financial statements and note disclosures are reliable, accurate, free of material misstatement, and in accordance with GAAP.

Cause

Management may not be fully aware how to prepare basic financial statements that comply with GAAP and has chosen to have the auditors assist in the preparation of the financial statements and note disclosures.

Effect

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

Repeat Finding

No.

Recommendation

We recommend Devils Lake Public School District design and implement internal controls over financial reporting to ensure financial statements are presented in accordance with GAAP. We further recommend management continue to obtain sufficient knowledge to ensure the financial statements are free from material misstatement.

Devils Lake Public School District's Response

See corrective action plan on page 43.

2018-002 LACK OF CONTROLS SURROUNDING VOIDED CHECKS

Condition

Devils Lake Public School District had voided checks due to the checks being lost. Per review of these checks, it was found that management did not have supporting documentation showing that the School District had issued a stop payment at the bank.

Criteria

According to the Committee of Sponsoring Organizations of the Treadway Commission on proper internal controls, it is management's responsibility to put proper controls in place to provide reasonable assurance of safeguarding assets, complying with management directives and accurate financial reporting. Proper controls surrounding the voided check process are necessary to complete this objective.

Cause

The School District does not have a control process in place to include documentation along with the voided check showing that a stop payment was issued.

Effect

There is an increased risk of fraud or material misstatement to the Devils Lake Public School District's financial statements.

Repeat Finding

No.

Recommendation

We recommend the School District implement internal controls surrounding the voided check process and attach supporting documentation to the voided checks.

Devils Lake Public School District's Response

See corrective action plan on page 43.

SECTION II - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Corrective Action Plan

For the Year Ended June 30, 2019



Devi's Lake Public Schools

1601 College Drive North
Devi's Lake, ND 58301
Phone: 701.662.7640
Fax: 701.662.7646

October 21, 2019

Office of the State Auditor
1655 43rd Street South, Suite 203
Fargo, ND 58103

Office of the State Auditor:

This letter is in response to the corrective action required on the identifying number 2019-001 and 2019-002.

In order to comply with identifying number 2019-001, financial statement prep, the Devils Lake Public Schools feels comfortable at this time due to minimal staffing, time limits and constraints, having the State Auditor's Office do the financials for the district. They have been very thorough in the past and have had the Superintendent, Scott Privratsky, and Business Manager, Melissa Haahr and double check the numbers and provide the information to them. The Devils Lake Public School feels the numbers have been represented fairly and would like to continue with the process that has been done in the past.

In order to comply with identifying number 2019-002, voided check finding, when checks are voided due to being lost, Business Manager, Melissa Haahr will go to the bank's website and stop payment and print out the confirmation page and attach that to the pay stub that is on file. Business Manager, Melissa Haahr, will also implement Positive Pay for checks at Bremer and look at the possibility of this at Ramsey. This process would catch any checks that attempt go through without the knowledge of the Devils Lake Public Schools.

We are confident that these steps will ensure compliance with the findings of the State Auditor's Office. Please advise if this is not satisfactory or if additional information is needed. Thank you.

Sincerely,



Melissa J. Haahr
Business Manager, Devils Lake Public School District
Devi's Lake Public Schools
Melissa.haahr@dlschools.org
701-662-7640 phone; 701-662-7646 fax

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Schedule of Prior Audit Findings
For the Year Ended June 30, 2019



1601 College Drive North
Devils Lake, ND 58301
Phone: 701.662.7640
Fax: 701.662.7646

October 21, 2019

Office of the State Auditor
1655 43rd Street South, Suite 203
Fargo, ND 58103

Office of the State Auditor:

This letter is in response to the corrective action required on the identifying number 2018-001.

Beginning in November of 2018, immediately following the State Auditor's recommendation, the Devils Lake Public Schools complete a monthly review of the 25% matching requirement for the 21st Century Grant. Julie Schuler, 21st Century Grant Coordinator, calculates the 25% match requirement, and Scott Privratsky, DLPS Superintendent, reviews the calculations to ensure the 25% requirement is met.

This process continued throughout the 2018-19 school year and continues as part of our monthly review for the 21st Century Program today. It is the intent to continue this review throughout the duration of the 21st Century Grant.

Sincerely,

A handwritten signature in black ink, appearing to read "Melissa J. Haahr".

Melissa J. Haahr
Business Manager
Devils Lake Public School District
Melissa.haahr@dlschools.org
701-662-7640 phone, 701-662-7646 fax

STATE AUDITOR

JOSHUA C. GALLION
Phone (701) 328-2241



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BISMARCK, NORTH DAKOTA 58505

GOVERNANCE COMMUNICATION

School Board of Directors
Devils Lake Public School District No. 1
Devils Lake, North Dakota

We have audited the financial statements of the governmental activities, each major fund and aggregate remaining fund information of the Devils Lake Public School District No. 1, North Dakota, as of and for the year ended June 30, 2019, which collectively comprise the Devils Lake Public School District No. 1's basic financial statements and have issued our report thereon dated November 6, 2019. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter dated December 5, 2018, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors or fraud may exist and not be detected by us.

In planning and performing our audit, we considered the Devils Lake Public School District No. 1, North Dakota's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinions on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance, and for reporting on the schedule of expenditures of federal awards required by the Uniform Guidance.

As part of obtaining reasonable assurance about whether the Devils Lake Public School District No. 1, North Dakota's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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. Also, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about the Devils Lake Public School District No. 1's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the purpose of expressing an opinion on the Devils Lake Public School District No. 1's compliance with those requirements over the major federal program. While our audit provides a reasonable basis for our opinion over compliance for the major federal program, it does not provide a legal determination on the Devils Lake Public School District No. 1's compliance with those requirements.

Significant Accounting Policies/Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Devils Lake Public School District No. 1 are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended June 30, 2019. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements presented by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is useful lives of capital assets.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. Management has corrected all such misstatements. The schedules below titled "Audit Adjustments" lists all misstatements detected as a result of audit procedures were corrected by management.

AUDIT ADJUSTMENTS		
Due from County	\$ 19,566	
Revenue		\$ 19,566
Expenditures	199,194	
Accounts Payable		199,194

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 6, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the county's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Education and management of the Devils Lake Public School District No. 1, North Dakota and should not be used for any other purpose. However, this report is a matter of public record, and its distribution is not limited. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of the Devils Lake Public School District No. 1 for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve the Devils Lake Public School District No. 1.

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
November 6, 2019

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or by contacting the
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