

**JAMESTOWN PUBLIC SCHOOL
DISTRICT NO. 1
Jamestown, North Dakota**

***REPORT ON FINANCIAL STATEMENTS
(with supplementary information)
Year Ended June 30, 2019***

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
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Schauer & Associates, P.C.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

School Board
JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**, Jamestown, North Dakota as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the 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.

Auditors' 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 of 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 auditors' 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 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 obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITORS' REPORT – continued

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**, Jamestown, North Dakota, as of June 30, 2019 and the respective changes in financial position and cash flows, where applicable, thereof 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 management's discussion and analysis and budgetary comparison information on pages 4 through 10 and 49 through 50, 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.

Other Information

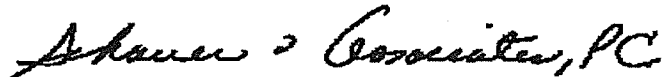
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**'s basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITORS' REPORT – continued

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2019, on our consideration of the **JAMESTOWN 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 **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1's** internal control over financial reporting and compliance.



SCHAUER & ASSOCIATES, P.C.
Certified Public Accountants

Jamestown, North Dakota
December 15, 2019

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2019

The Management's Discussion and Analysis (MD&A) of **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1's** (known as the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2019. The intent of the MD&A is to look at the District's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2018 –2019 are as follows:

- Net position of Jamestown Public schools decreased \$2,618,380 as a result of the current year's operations.
- Governmental net position as of the end of the fiscal year totaled \$801,187.
- Total government-wide revenues from all sources were \$30,839,106.
- Total government-wide expenditures were \$33,457,486.
- The District's general fund had \$28,717,485 in total revenues and \$28,662,260 in total expenditures. Overall, the general fund balance decreased by \$87,454 for the year ended June 30, 2019.

USING THIS ANNUAL REPORT

This annual financial report consists of a series of statements and related footnotes. These statements are organized so that the reader can understand **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1** as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

REPORTING ON THE DISTRICT AS A WHOLE

STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

These statements are summaries of all funds used by the **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1** to provide programs and activities and attempt to answer the question "How did the District do financially during the year ended June 30, 2019?"

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

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

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS - continued
Year Ended June 30, 2019

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

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

The government-wide financial statements include not only the District (*known as the primary government*), but also one legally separate entity for which the District is financially accountable. The *component unit* is the James Valley Career & Technology Center. Financial information for this component unit is reported separately from the financial information presented for the primary government. Separately issued financial statements are available from the administrative offices of **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**.

REPORTING ON THE DISTRICT'S MOST SIGNIFICANT FUNDS

BALANCE SHEET – GOVERNMENTAL FUNDS

The District uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and donations). The fund basis financial statements allow the District to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the District's major funds. The general, debt service and capital project funds are all considered major funds using the criteria established by GASB Statement No. 34.

The District's other funds, which are used to account for the school lunch and special reserve transactions, are summarized under the heading "Other Governmental Funds."

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table I provides a summary of the District's net position as of June 30, 2019 and 2018.

| Table I | | | |
|---|--------------|--------------|--|
| NET POSITION | | | |
| June 30, | | | |
| | 2019 | 2018 | |
| ASSETS | | | |
| Current assets | \$ 8,836,014 | \$ 9,704,683 | |
| Capital assets (net of depreciation) | 24,944,681 | 25,708,252 | |
| Deferred outflows of resources | 5,717,543 | 6,681,887 | |
| Total Assets and Deferred Outflows of Resources | 39,498,238 | 42,094,822 | |
| LIABILITIES | | | |
| Current liabilities | 2,705,415 | 2,382,347 | |
| Long-term debt | 33,393,238 | 34,311,506 | |
| Total Liabilities | 36,098,653 | 36,693,853 | |

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS - continued
Year Ended June 30, 2019

| | | |
|---|--------------------------|--------------------------|
| | <u>2019</u> | <u>2018</u> |
| Deferred Inflows of Resources | 2,598,398 | 1,981,402 |
| NET POSITION | | |
| Net investment in capital assets | 23,599,368 | 24,053,307 |
| Restricted | 1,230,843 | 1,836,039 |
| Unrestricted | <u>(24,029,024)</u> | <u>(22,469,779)</u> |
| Total Net Position | <u>801,187</u> | <u>3,419,567</u> |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | <u>\$ 39,498,238</u> | <u>\$ 42,094,822</u> |

As indicated in the financial highlights above, the District's net position decreased by 2,618,380 as a result of operations for the year ended June 30, 2019. The District recorded a decrease of \$1,912,560 as a result of operations for the year ended June 30, 2018. Changes in net position may serve over time as a useful indicator of the District's financial position.

The District's net position of \$801,187 is segregated into three separate categories. Net investment in capital assets (net of related debt) represents the largest portion of the District's total net position. It should be noted that these assets are not available for future spending. The balance consists of restricted net position and unrestricted net position. Restricted net position represents resources that are subject to external restrictions on how they must be spent.

Table II shows the changes in net position for the fiscal years ended June 30, 2019 and 2018.

Table II
CHANGES IN NET POSITION
Years Ended June 30

| | <u>2019</u> | | <u>2018</u> | |
|--------------------------------|-------------------|---------------|-------------------|---------------|
| REVENUES | | | | |
| Program revenues | | | | |
| Charges for services | \$ 1,173,613 | 3.80% | \$ 1,181,625 | 3.82% |
| Operating grants | 3,671,526 | 11.91 | 3,526,900 | 11.41 |
| General revenues | | | | |
| Property taxes | 6,704,362 | 21.74 | 6,590,307 | 21.31 |
| Other taxes | 133,381 | .43 | 133,247 | .43 |
| State aid – unrestricted | 18,829,596 | 61.06 | 19,173,200 | 62.00 |
| Other | <u>326,628</u> | <u>1.06</u> | <u>318,144</u> | <u>1.03</u> |
| Total Revenues | <u>30,839,106</u> | <u>100.00</u> | <u>30,923,423</u> | <u>100.00</u> |
| EXPENSES | | | | |
| Regular instruction | 16,832,053 | 50.31 | 16,754,994 | 51.03 |
| Federal programs | 1,141,478 | 3.41 | 806,364 | 2.46 |
| Special education | 4,917,458 | 14.70 | 4,933,042 | 15.02 |
| Vocational education | 478,383 | 1.43 | 470,773 | 1.43 |
| Instructional support services | 1,080,953 | 3.23 | 1,121,099 | 3.42 |
| Administrative services | 623,487 | 1.86 | 635,960 | 1.94 |

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS - continued
Year Ended June 30, 2019

| | 2019 | | 2018 | |
|------------------------------------|-----------------------|---------------|-------------------------|---------------|
| Operation and maintenance of plant | 2,874,317 | 8.59 | 2,336,644 | 7.12 |
| Student transportation | 528,231 | 1.58 | 553,160 | 1.68 |
| Extracurricular activities | 974,297 | 2.91 | 970,087 | 2.95 |
| Other support services | 570,512 | 1.71 | 585,933 | 1.78 |
| Community services | 9,726 | .03 | 30,546 | .10 |
| Tuition and assessments | 2,033,403 | 6.08 | 2,160,805 | 6.58 |
| Food service | 1,349,273 | 4.03 | 1,426,532 | 4.34 |
| Debt service | 43,915 | .13 | 50,044 | .15 |
| Total Expenses | 33,457,486 | 100.00 | 32,835,983 | 100.00 |
| Change in Net Position | (2,618,380) | | (1,912,560) | |
| BEGINNING NET POSITION | 3,419,567 | | 5,564,316 | |
| Prior period correction | _____ | | (232,189) | |
| ENDING NET POSITION | \$ 801,187 | | \$ 3,419,567 | |

Property taxes constituted 22%, unrestricted state aid 61%, operating grants and contributions 12% and charges for services made up 4% of the total revenues of governmental activities of the District for fiscal year ended June 30, 2019.

Regular instruction constituted 50%, special education 15% and vocational education 1% of total expenditures for governmental activities during fiscal year 2018-2019.

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

Table III
TOTAL AND NET COST OF SERVICES

| | Total Costs Year Ended June 30, 2019 | Net Costs Year Ended June 30, 2019 | Total Costs Year Ended June 30, 2018 | Net Costs Year Ended June 30, 2018 |
|------------------------------------|--|--|--|--|
| Regular instruction | \$ 16,832,053 | \$ 16,652,492 | \$ 16,754,994 | \$16,587,346 |
| Federal programs | 1,141,478 | 5,628 | 806,364 | 10,663 |
| Special education | 4,917,458 | 3,206,412 | 4,933,042 | 3,066,860 |
| Vocational education | 478,383 | 312,159 | 470,773 | 301,991 |
| Instructional support services | 1,080,953 | 1,080,953 | 1,121,099 | 1,121,099 |
| Administrative services | 623,487 | 623,487 | 635,960 | 635,960 |
| Operation and maintenance of plant | 2,874,317 | 2,874,317 | 2,336,644 | 2,336,644 |
| Student transportation | 528,231 | 245,325 | 553,160 | 279,700 |
| Extracurricular activities | 974,297 | 974,297 | 970,087 | 970,087 |

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS - continued
Year Ended June 30, 2019

| | Total Costs Year Ended June 30, 2019 | Net Costs Year Ended June 30, 2019 | Total Costs Year Ended June 30, 2018 | Net Costs Year Ended June 30, 2018 |
|------------------------|--|--|--|--|
| Other support services | 570,512 | 570,512 | 585,933 | 585,933 |
| Community services | 9,726 | 9,726 | 30,546 | 30,546 |
| Tuition and assessment | 2,033,403 | 2,033,403 | 2,160,805 | 2,160,805 |
| Food service | 1,349,273 | (20,279) | 1,426,532 | (10,220) |
| Debt service | 43,915 | 43,915 | 50,044 | 50,044 |
| Total Expenses | \$ 33,457,486 | \$ 28,612,347 | \$ 32,835,983 | \$28,127,458 |

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The purpose of the District's governmental funds is to provide information on the near-term inflows, outflows and balances of available resources. Unreserved fund balance generally can be used as a measure of the District's resources available for spending as of the end of the fiscal year. Those funds are accounted for using the modified accrual basis of accounting. The District's governmental funds had total revenues of \$30,816,282 and expenditures of \$31,498,939 for the year ended June 30, 2019. The District's governmental funds had total revenues of \$30,980,779 and expenditures of \$30,662,685 for the year ended June 30, 2018. As of June 30, 2019 the unassigned fund balance of the District's general funds was \$3,354,979. As of June 30, 2018 the unassigned fund balance of the District's general fund was \$3,442,433.

GENERAL FUND BUDGET HIGHLIGHTS

The District changed its revenue budget during the year by \$12,630 and expenditure budget by \$12,630. The revenue change was an increase to state sources by \$8,630 and an increase in federal program revenue by \$4,000. The expenditure change was increase in federal program expenditures by \$4,000 and an increase to regular instruction by \$8,630. General fund total revenues for 2018-2019 were \$28,717,485 in comparison to total expenditures of \$28,662,260. General fund total revenues for 2017-2018 were \$28,800,973 in comparison to total expenditures of \$28,311,270. The ending fund balance decreased during the 2018 – 2019 fiscal year by \$87,455 to a balance of \$3,354,979 on June 30, 2019. The ending fund balance increased during the 2017 – 2018 fiscal year by \$210,346 to a balance of \$3,442,433 on June 30, 2018. The ending balance is approximately 12% of total expenditures for 2018-2019. The ending balance is approximately 12% of total expenditures for 2017-2018. For 2019, revenues decreased by \$83,488 which is a .3% decrease from the previous year and expenditures increased \$350,990 that is a 1% increase from the previous year. For 2018, revenues increased by \$179,794 which is a .6% increase from the previous year and expenditures decreased \$599,708 that is a 2% decrease from the previous year.

CAPITAL ASSETS

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1 had \$24,944,681 invested in capital assets as of June 30, 2019. Table IV shows the balances as of June 30, 2019 and 2018.

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS - continued
Year Ended June 30, 2019

Table IV
CAPITAL ASSETS (net of accumulated depreciation)
 June 30,

| | 2019 | 2018 |
|--|----------------------|----------------------|
| Land and assets not being depreciated | \$ 1,581,673 | \$ 1,468,936 |
| Buildings and improvements | 21,393,309 | 22,087,762 |
| Equipment and vehicles | 1,969,699 | 2,151,554 |
| Total Capital Assets (net of depreciation) | <u>\$ 24,944,681</u> | <u>\$ 25,708,252</u> |

This total represents a decrease of \$763,571 in net capital assets from July 1, 2018. For a detailed breakdown of additions and deletions to capital assets, readers are referred to note 6 to the audited financial statements that follow this analysis. The District levied 10 mills for the building fund in 2018-2019.

DEBT ADMINISTRATION

At June 30, 2019, the District had \$33,716,472 of outstanding long-term debt. Of this amount, \$415,089 is for compensated absences and retirement annuities, \$31,956,070 is for the net pension obligation and net OPEB liability and \$1,345,313 is for bonds and lease/purchases.

Table V
 Long-Term Debt at June 30

| | 2019 | 2018 |
|--|----------------------|----------------------|
| Limited tax school building bonds, series 2011 | \$ 696,499 | \$ 920,262 |
| Limited tax school building bonds, series 2012 | 530,925 | 578,558 |
| Lease/purchase, copiers | 117,889 | 156,124 |
| Compensated absences | 154,698 | 78,547 |
| Annuity payable | 260,391 | 255,011 |
| Net pension obligation - TFFR | 26,244,575 | 27,423,798 |
| Net pension obligation - PERS | 5,471,836 | 4,981,126 |
| Net OPEB liability | 239,659 | 231,314 |
| Total | <u>\$ 33,716,472</u> | <u>\$ 34,624,740</u> |

For more detailed information on the District's debt, please refer to note 8 of the basic financial statements.

FOR THE FUTURE

While the District maintained a relatively consistent enrollment in the previous biennium, a static per pupil amount, coupled with increased state aid deductions, resulted in a net loss in state funding. With state funding representing approximately 68%, local levies have had to increase to make up the difference. With local levies at the current caps in the general fund and the miscellaneous levy, the District will become more reliant on the increases provided in the next legislative session. Additionally, with an unsuccessful referendum on September 24, 2019, the District will also need to find solutions to aging systems in the current facility structure.

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS - continued
Year Ended June 30, 2019

COMPONENT UNIT

Only summary information regarding a component unit appears in the District's financial statements. The component unit is the James Valley Career & Technology Center. The financial statement information is presented in a separate column in the District-wide Statement of Net Position and in the Statement of Activities. Additional information can be obtained from the separately issued financial statements available from the Business Manager of Jamestown Public Schools.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our parents, taxpayers and creditors with a general overview of **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1'S** finances and to show the District's accountability for the money it receives to provide the best possible education to all students enrolled in Jamestown Public Schools. Anyone who has questions about the information contained in this report or who is interested in receiving additional information is encouraged to contact the Business Manager of Jamestown Public Schools, 207 Second Avenue SE, Jamestown, ND 58401; phone 701-252-1950, fax 701-251-2011.

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1

Jamestown, North Dakota STATEMENT OF NET POSITION June 30, 2019

| | Governmental Activities | Component Units |
|--|------------------------------------|------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 5,365,599 | \$ 112,796 |
| Certificates of deposit over three months and annuity | 1,694,209 | |
| Taxes receivable | 503,615 | |
| Due from other governmental agencies | 1,244,406 | 207,447 |
| Inventories | 28,185 | |
| Capital assets | | |
| Land and improvements not being depreciated | 1,581,673 | 45,598 |
| Buildings and improvements | 37,460,898 | 1,607,700 |
| Equipment and vehicles | 8,180,570 | 328,623 |
| Less: accumulated depreciation | (22,278,460) | (1,595,917) |
| Total Capital Assets | 24,944,681 | 386,004 |
| Total Assets | 33,780,695 | 706,247 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred outflows of resources related to pensions - TFFR | 3,240,686 | |
| Deferred outflows of resources related to pensions - PERS | 2,404,324 | |
| Deferred outflows of resources related to OPEB | 72,533 | |
| Total Deferred Outflows of Resources | 5,717,543 | |
| Total Assets and Deferred Outflows of Resources | \$ 39,498,238 | \$ 706,247 |
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 2,373,965 | \$ 89,150 |
| Long-term liabilities | | |
| Due within one year | | |
| Interest payable | 8,216 | |
| Bonds, capital leases | 323,234 | |
| Due in more than one year | | |
| Bonds, capital leases | 1,022,079 | |
| Compensated absences and annuities | 415,089 | 3,595 |
| Net pension obligation - TFFR | 26,244,575 | |
| Net pension obligation - PERS | 5,471,836 | |
| Net OPEB liability | 239,659 | |
| Total Liabilities | 36,098,653 | 92,745 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred inflows of resources related to pensions - TFFR | 2,155,695 | |
| Deferred inflows of resources related to pensions - PERS | 432,592 | |
| Deferred inflows of resources related to OPEB | 10,111 | |
| Total Deferred Inflows of Resources | 2,598,398 | |
| NET POSITION | | |
| Net investment in capital assets | 23,599,368 | 386,004 |
| Restricted for: | | |
| Capital projects | 832,379 | |
| Operations | 398,464 | |
| Unrestricted | (24,029,024) | 227,498 |
| Total Net Position | 801,187 | 613,502 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 39,498,238 | \$ 706,247 |

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

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1

Jamestown, North Dakota
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

| Functions/Programs Primary government | Program Revenue | | Net (Expense) Revenue and Changes in Net Assets | | |
|---|-----------------|-------------------------|--|--|--------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Primary Government Governmental Activities | Component Units |
| Instruction | | | | | |
| Regular | \$ 16,832,053 | \$ 179,561 | \$ 1,135,850 | \$ (16,652,492) | \$ |
| Federal | 1,141,478 | | 1,711,046 | (5,628) | |
| Special education | 4,917,458 | | 166,224 | (3,206,412) | |
| Vocational education | 478,383 | | | (312,159) | |
| Support services | | | | | |
| Instructional support services | 1,080,953 | | | (1,080,953) | |
| Administration services | 623,487 | | | (623,487) | |
| Operation and maintenance of plant | 2,874,317 | | | (2,874,317) | |
| Student transportation | 528,231 | 282,906 | | (245,325) | |
| Extracurricular activities | 974,297 | | | (974,297) | |
| Other support services | 570,512 | | | (570,512) | |
| Community services | 9,726 | | | (9,726) | |
| Tuition and assessments | 2,033,403 | | | (2,033,403) | |
| Food service | 1,349,273 | 711,146 | 658,406 | 20,279 | |
| Interest on long-term debt | 43,915 | | | (43,915) | |
| Total Governmental Activities | 33,457,486 | 1,173,613 | 3,671,526 | (28,612,347) | |
| Component Units | | | | | |
| James Valley | 1,155,246 | 575,900 | 533,661 | | (45,685) |
| Total Component Units | \$ 1,155,246 | \$ 575,900 | \$ 533,661 | | (45,685) |
| General revenues: | | | | | |
| Taxes: | | | | | |
| Property taxes, levied for general purposes | | | | 4,728,177 | |
| Property taxes, levied for specific purposes | | | | 1,976,185 | |
| Other taxes | | | | 133,381 | |
| State aid not restricted to specific programs | | | | 18,829,596 | 54 |
| Unrestricted investment earnings | | | | 18,944 | |
| Miscellaneous | | | | 313,989 | 4,730 |
| Special Item - loss on disposition of assets | | | | (6,305) | |
| Total general revenues | | | | 25,993,967 | 4,784 |
| Change in net position | | | | (2,618,380) | (40,901) |
| Net position: | | | | | |
| Beginning of year | | | | 3,419,567 | 654,403 |
| Net position - ending | | | | \$ 801,187 | \$ 613,502 |

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

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1

Jamestown, North Dakota
BALANCE SHEET
Governmental Funds
June 30, 2019

| | <u>General Fund</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|---------------------|-------------------------|---|---|
| ASSETS AND DEFERRED | | | | | |
| OUTFLOWS OF RESOURCES | | | | | |
| Cash and cash equivalents | \$ 3,660,349 | \$ | \$ 567,987 | \$ 502,795 | \$ 4,731,131 |
| Certificates of deposit over three months | 482,518 | | 235,000 | 25,000 | 742,518 |
| Taxes receivable, net | 448,068 | | 55,547 | | 503,615 |
| Receivable from other governments | 1,244,406 | | | 28,185 | 1,244,406 |
| Inventories | | | | | 28,185 |
| Total Assets and Deferred Outflows of Resources | <u>\$ 5,835,341</u> | <u>\$</u> | <u>\$ 858,534</u> | <u>\$ 555,980</u> | <u>\$ 7,249,855</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUNDS BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 245,411 | \$ | \$ 26,155 | \$ 925 | \$ 271,566 |
| Accrued contracts and benefits | 1,958,282 | | | 925 | 1,959,207 |
| Total Liabilities | <u>2,203,693</u> | | <u>26,155</u> | <u>925</u> | <u>2,230,773</u> |
| Deferred inflows of resources | | | | | |
| Unavailable revenue | 276,669 | | 34,344 | | 311,013 |
| Fund balances: | | | | | |
| Nonspendable | | | | 28,185 | 28,185 |
| Restricted | | | 798,035 | 398,464 | 1,196,499 |
| Assigned | | | | 128,406 | 128,406 |
| Unassigned | 3,354,979 | | | | 3,354,979 |
| Total Fund Balances | <u>3,354,979</u> | | <u>798,035</u> | <u>555,055</u> | <u>4,708,069</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 5,835,341</u> | <u>\$</u> | <u>\$ 858,534</u> | <u>\$ 555,980</u> | <u>\$ 7,249,855</u> |

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

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1

Jamestown, North Dakota

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2019

Total fund balance, governmental funds \$ 4,708,069

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. 24,944,681

Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. 311,014

Net OPEB liability and OPEB related deferred: outflows and inflows of resources are not due in the current period and therefore are not reported in the funds. These amounts consist of :

| | |
|--------------------------------|-----------|
| Net OPEB liability | (239,659) |
| Deferred outflows of resources | 72,533 |
| Deferred inflows of resources | (10,111) |

Net TFFR pension liability and pension related deferred: outflows and inflows of resources are not due in the current period and therefore are not reported in the funds. These amounts consist of :

| | |
|---------------------------------------|--------------|
| Net pension liability - TFFR | (26,244,575) |
| Deferred outflows of resources - TFFR | 3,240,686 |
| Deferred inflows of resources - TFFR | (2,155,695) |

Net PERS pension liability and pension related deferred: outflows and inflows of resources are not due in the current period and therefore are not reported in the funds. These amounts consist of :

| | |
|---------------------------------------|-------------|
| Net pension liability - PERS | (5,471,836) |
| Deferred outflows of resources - PERS | 2,404,324 |
| Deferred inflows of resources - PERS | (432,592) |

The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. 1,442,965

Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. (1,768,618)

Net Position of Governmental Activities in the Statement of Net Position \$ 801,187

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

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
 Jamestown, North Dakota
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Governmental Funds
 Year Ended June 30, 2019

| | <u>General Fund</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|---------------------|-------------------------|---|---|
| REVENUES | | | | | |
| Local sources | \$ 6,503,880 | \$ | \$ 726,728 | \$ 723,605 | \$ 7,954,213 |
| County sources | 104,446 | | | | 104,446 |
| State sources | 20,225,888 | | | 10,962 | 20,236,850 |
| Federal sources | 1,853,782 | | | 634,984 | 2,488,766 |
| Investment earnings | 21,806 | 276 | 1,362 | 880 | 24,324 |
| Miscellaneous | 7,683 | | | | 7,683 |
| Total Revenues | <u>28,717,485</u> | <u>276</u> | <u>728,090</u> | <u>1,370,431</u> | <u>30,816,282</u> |
| EXPENDITURES | | | | | |
| Instruction | | | | | |
| Regular | 14,429,113 | | | | 14,429,113 |
| Federal | 1,139,843 | | | | 1,139,843 |
| Special education | 4,833,020 | | | | 4,833,020 |
| Vocational education | 466,878 | | | | 466,878 |
| Support Services | | | | | |
| Instructional support services | 1,351,070 | | | | 1,351,070 |
| Administration services | 611,764 | | | | 611,764 |
| Operation and maintenance of plant | 1,881,447 | | 937,981 | | 2,819,428 |
| Student transportation | 528,231 | | | | 528,231 |
| Extracurricular activities | 966,324 | | | | 966,324 |
| Other support services | 411,441 | | | | 411,441 |
| Community services | 9,726 | | | | 9,726 |
| Tuition and assessment | 2,033,403 | | | | 2,033,403 |
| Food service | | | | 1,337,501 | 1,337,501 |
| Debt Service: | | | | | |
| Principal | | 313,234 | | | 313,234 |
| Interest and other charges | | 41,815 | | | 41,815 |
| Capital Outlay | | | 206,148 | | 206,148 |
| Total Expenditures | <u>28,662,260</u> | <u>355,049</u> | <u>1,144,129</u> | <u>1,337,501</u> | <u>31,498,939</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>55,225</u> | <u>(354,773)</u> | <u>(416,039)</u> | <u>32,930</u> | <u>(682,657)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 146,577 | | | | 146,577 |
| Transfers out | (289,256) | 352,449 | | | 63,193 |
| Total other financing sources and uses | <u>(142,679)</u> | <u>352,449</u> | <u>(63,193)</u> | <u>(10,000)</u> | <u>(499,026)</u> |
| Net change in fund balances | (87,454) | (138,901) | (479,232) | 22,930 | (682,657) |
| Fund balances - beginning | 3,442,433 | 138,901 | 1,277,267 | 532,125 | 5,390,726 |
| Fund balances - ending | <u>\$ 3,354,979</u> | <u>\$</u> | <u>\$ 798,035</u> | <u>\$ 555,055</u> | <u>\$ 4,708,069</u> |

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

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES
Year Ended June 30, 2019

| | | |
|--|----|--------------------|
| Net change in fund balances - total governmental funds: | \$ | (682,657) |
| Amounts reported for Governmental Activities in the Statement of Activities are different because: | | |
| Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets estimated useful lives as depreciation expense for the period. This is the amount by which depreciation \$1,369,214 exceeded capital outlay \$611,949 in the current period. | | (757,265) |
| Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. | | 112,880 |
| Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. The liability is accrued in the Statement of Net Position. This is the amount by which repayments exceeded proceeds. | | 313,234 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds. | | (80,027) |
| Amortization of bond premium | | (3,603) |
| Some expenses reported in the statement of activities do not require the use of current financial resources, such as deferred pension expense | | (901,172) |
| In the statement of activities, only the loss on the disposition of assets is reported, whereas in the governmental funds, the proceeds from the sale increase the financial resources. Thus, the change in net assets differs from the change in fund balance by the unrecovered cost of the assets sold. | | (6,305) |
| Internal service funds are used by management to charge the costs of certain activities, such as self insured health insurance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. | | (613,465) |
| Change in net position of governmental activities | \$ | <u>(2,618,380)</u> |

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

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
STATEMENT OF NET POSITION
Proprietary Funds
June 30, 2019

| | Internal Service Funds |
|---|-----------------------------------|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 634,467 |
| Certificates of deposit over three months | 951,691 |
| Total assets | 1,586,158 |
| LIABILITIES | |
| Current Liabilities: | |
| Accrued health benefits | 143,193 |
| Total liabilities | 143,193 |
| NET POSITION | |
| Unrestricted | 1,442,965 |
| Total net position | \$ 1,442,965 |

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

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET
POSITION
Proprietary Funds
Year Ended June 30, 2019

| | Internal Service Funds |
|---------------------------------|-----------------------------------|
| REVENUES | |
| Charges for services | \$ 2,500,000 |
| Miscellaneous | 827,983 |
| Total operating revenues | 3,327,983 |
| OPERATING EXPENSES | |
| Insurance claims and expenses | 3,946,534 |
| Total Operating Expenses | 3,946,534 |
| Operating Loss | (618,551) |
| NON-OPERATING REVENUES | |
| Interest and investment revenue | 5,088 |
| Total non-operating revenue | 5,088 |
| Change in net position | (613,463) |
| Total net position - beginning | 2,056,428 |
| Total net position - ending | \$ 1,442,965 |

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

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1

Jamestown, North Dakota
STATEMENT OF CASH FLOWS
Proprietary Funds
Year Ended June 30, 2019

| | <u>Internal Service Funds</u> |
|--|-----------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Received from assessments made to other funds and other income | \$ 3,327,983 |
| Payments made for health insurance claims and stop loss premiums | (3,934,718) |
| Net Cash Used in Operating Activities | <u>(606,735)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchase of certificates of deposit over 3 months | (950,000) |
| Interest on investments | 3,398 |
| Net Cash Used in Investing Activities | <u>(946,602)</u> |
| Net decrease in cash and cash equivalents | (1,553,337) |
| CASH AND CASH EQUIVALENTS | |
| Beginning of the year | <u>2,187,804</u> |
| End of the year | <u>\$ 634,467</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES | |
| Operating loss | \$ (618,551) |
| Adjustments to reconcile operating income to net cash used in operating activities | |
| Changes in assets and liabilities | |
| Accounts payable | (5,850) |
| Accrued health benefits | 17,666 |
| NET CASH USED IN OPERATING ACTIVITIES | <u>\$ (606,735)</u> |

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

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
STATEMENT OF ASSETS AND LIABILITIES
Fiduciary Funds
June 30, 2019

| | Agency Fund |
|---|--------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 294,970 |
| Certificates of deposit over three months | 69,000 |
| Total Assets | 363,970 |
| LIABILITIES | |
| Due to student organizations | 363,875 |
| Total Liabilities | \$ 363,875 |

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

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2019

1. Summary of Significant Accounting Policies

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

A. Description of the Reporting Entity

The **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1** is organized under the laws of the State of North Dakota. It provides a system of free public schools for all children of legal age residing within the district. It is governed by an elected nine-member school board and operates grades K through 12.

B. Reporting Entity

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government.

The James Valley Career and Technology Center is a legally separate entity organized to provide vocational courses to participating school districts. It is governed by **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**'s elected board with the assistance of an appointed advisory board.

The component unit condensed financial information reflects this discretely presented unit. Complete financial statements for the individual component unit may be obtained at the administrative offices of **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**.

Governmental accounting standards require reasonable separation between the primary government (including its blended component units) and its discretely presented component units, both in the financial statements and in the related notes and required supplementary information. Because the discretely presented component units, although legally separate, have been and are operated as if each is part of the primary government, there are limited instances where special note references or separation will be required. If no separate note reference or categorization is made, the user should assume that information presented is equally applicable to the District and to its component units.

Condensed Component Unit Financial Statements

| | James Valley Career & Technology Center |
|----------------|--|
| ASSETS | |
| Current assets | \$ 320,243 |
| Capital assets | 386,004 |
| Total Assets | 706,247 |

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2019

B. Reporting Entity – continued

| | |
|------------------------------------|-------------------|
| LIABILITIES | |
| Current liabilities | 89,150 |
| Long-term liabilities | 3,595 |
| Total Liabilities | <u>92,745</u> |
| NET POSITION | |
| Net investment in capital assets | 386,004 |
| Unrestricted | 227,498 |
| Total Net Position | <u>\$ 613,502</u> |
| Expenses | |
| Instructional | 504,134 |
| Support | 651,112 |
| Program revenues | |
| Charges for services | 575,900 |
| Operating grants and contributions | 533,661 |
| Net Program Revenue (Expense) | <u>(45,685)</u> |
| General revenues | |
| Investment earnings | 54 |
| Miscellaneous | 4,730 |
| Change in Net Position | (40,901) |
| Net Position – Beginning | 654,403 |
| Net Position - Ending | <u>\$ 613,502</u> |

C. Basis of Presentation

District –Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non exchange revenues. The District does not report any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues included 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the financial statements.

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2019

C. Basis of Presentation – continued

As a general rule, the effect of inter-fund activity has been eliminated from the district-wide financial statements.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues and expenditures.

Funds are organized as major funds or non-major funds within the governmental statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund or meets the following criteria:

1. Total assets, liabilities, revenues or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues or expenditures of that individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.
3. In addition, any other governmental fund that the District believes is particularly important to financial statement users may be reported as a major fund.

Governmental Funds

Governmental funds are utilized to account for most of the District's governmental functions. The District's major governmental funds are as follows:

General Fund

The General Fund is the operating fund of the District and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund

Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds.).

Proprietary Funds

Internal Service Funds

Internal Service Funds provides services to other funds in the District on a cost reimbursement basis. Because the District's internal service fund primarily services governmental functions, it is included within the governmental activities of the government-wide financial statements.

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2019

C. Basis of Presentation – continued

Fiduciary Funds (not included in district-wide statements)

Agency Funds

Agency Funds are used to account for assets held by the District as an agent for individuals, private organizations, and /or other governmental units.

Major Funds

The District reports the following major governmental funds:

- General Fund
- Debt Service Fund
- Capital Projects Fund

Non-Major Funds

The District reports the following non-major funds:

- Special Revenue Funds
- Special Reserve Fund
- School Lunch Fund

Proprietary Funds

The District reports the following proprietary funds:

- Internal Service Funds
- Health Insurance Fund

Fiduciary Funds

The District reports the following fiduciary funds:

- Agency Funds
- Student Activity Fund

D. Basis of Accounting

The government-wide Statement of Net Position and Statement of Activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. The Districts internal service fund also used the accrual basis of accounting.

Governmental funds and agency funds follow the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e. both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of its fiscal year. Expenditures are recorded when the related fund liability is incurred, except for interest not matured on long-term debt, claims, judgments, compensated absences and pension

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1

Jamestown, North Dakota

NOTES TO FINANCIAL STATEMENTS - continued

Year Ended June 30, 2019

D. Basis of Accounting – continued

expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property tax revenue is recorded as revenue in the year the tax is levied in the government-wide financial statements. Property tax revenues in the governmental funds are recorded when it becomes available.

Property taxes are levied and certified no later than October 10 and property taxes attach as an enforceable lien on property as of January 1 and are due and payable at that time. The first installment of taxes becomes delinquent March 1 and the second installment on October 15. The taxes are collected by the County Treasurer and remitted to the District on a monthly basis.

State general and categorical aids and other entitlements are recognized as revenue in the period the District is entitled to the resources and the amounts are available. Expenditure-driven programs currently reimbursable are recognized as revenue when the qualifying expenditures have been incurred and the amounts are available. Amounts owed to the District which are not available are recorded as receivables and deferred revenue. Amounts received prior to the entitlement period are also recorded as deferred revenue.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, expenditure-driven grant programs, public charges for services, and investment income.

Charges for services provided by other educational agencies and private parties are recognized as revenue when services are provided. Charges for special educational services are not reduced by anticipated state special education aid entitlements.

For governmental fund financial statements, deferred revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenue also arises when resources are received before the district has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

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

E. Measurement Focus

On the government-wide Statement of Position and Statement of Activities governmental activities are presented using the economic resources measurement focus. Under this concept, revenues and expenses are matched using the accrual basis of accounting.

The measurement focus of all governmental funds is the flow of current financial resources concept. Under this concept, sources and uses of financial resources, including capital outlays, debt proceeds, and debt

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1

Jamestown, North Dakota

NOTES TO FINANCIAL STATEMENTS - continued

Year Ended June 30, 2019

E. Measurement Focus - continued

retirements are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or a reservation of fund equity.

Liabilities for claims, judgments, compensated absences and pension contributions that will not be currently liquidated using expendable available financial resources are included as liabilities in the government-wide financial statements but are excluded from the governmental fund financial statements. The related expenditures are recognized in the governmental fund financial statements when the liabilities are liquidated.

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

G. Deposits

The District maintains deposits at depository banks that are members of the Federal Reserve System. North Dakota laws require all public deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 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 instrumentality's, 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 instrumentality's, 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 any other state of the United States or such other securities approved by the banking board.

Although the James Valley Career & Technology Center is operated as a separate entity from **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**, the agreements with the financial institutions stipulate that both entities will be treated as one entity for purposes of Federal Deposit Insurance. Therefore, although a separate audit report has been prepared for the James Valley Career & Technology Center, the funds on deposit for this entity is included with the District funds in the summary of protection in this report.

Interest rate risk. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. North Dakota state statute authorizes school districts to invest their surplus funds in:

1. Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress.
2. Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of a type listed above.

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2019

G. Deposits - continued

3. Certificates of deposit fully insured by the Federal Deposit Insurance Corporation or by the state.
4. Obligations of the state.

The District has no cash and cash equivalents other than demand and time deposits.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2019, the District's deposits were fully insured or collateralized with securities held by the financial institutions in the District's name. (See note 2)

H. Cash Flow Information

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

I. Inventories

Governmental fund inventories are recorded at cost based on the FIFO (first-in, first-out) method using the consumption method of accounting and consist of food, commodities and other supplies.

J. Capital Assets

District-Wide Statements

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

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

| | |
|---------------------------|--------------|
| Building and improvements | 50 years |
| Equipment and vehicles | 5 - 20 years |

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1

Jamestown, North Dakota

NOTES TO FINANCIAL STATEMENTS - continued

Year Ended June 30, 2019

K. Long-Term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide financial statements. The long-term debt consists primarily of bonds, lease/purchase agreements and compensated absences.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources. The payment of principal and interest are reported as expenditures.

L. Compensated Absences

The District allows employees to accumulated unused sick leave up to 130 days. Upon termination, no days of accumulated sick leave are paid to employees. Classified staff that are considered full time, i.e. work 12 months, earn approximately 10 vacation days per year. In addition, certified administrative staff who work 12 months, earn 15 vacation days per year. They have up to the end of the next school year to use it. Classified staff are entitled to three days of paid personal leave per year accumulative to six paid days. Unused personal leave days shall be compensated at the current substitute teacher pay daily rate. Administrative staff earn four days of personal leave accumulative to six days. Unused personal leave days shall be compensated at \$200 per day. The amount to be paid from current resources is not significant.

M. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

1. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, or other borrowings that are attributable to the acquisitions, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt.
2. Restricted net position – consists of net position with constraints placed on the use either by a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, b) law through constitutional provisions or enabling legislation. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.
3. Unrestricted net position – all other net position that do not meet the definition of "restricted" or "net investment in capital assets."

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2019

M. Equity Classifications - continued

Fund Balances

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources reported in governmental funds. These classifications are as follows:

Nonspendable – consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact, such as, inventories and prepaid items.

Restricted – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed – consists of amounts that are constrained for specific purposes that are internally imposed by formal action of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. These constraints are established by Resolution of the School Board.

Assigned – consists of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority.

Unassigned – is the residual classification for the General Fund and also reflects negative residual amounts in other funds.

The District uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

N. Pensions

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

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

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2019

N. Pensions

For the purposes of measuring the net Other Post Employment Benefits (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 the 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.

2. Cash and Cash Equivalents/Certificates of Deposit over Three Months

The following summary presents the amount of the District's deposits which are fully insured or collateralized with securities held by the District or its agent in the District's name (category 1), those deposits which are collateralized with securities held by the pledging financial institutions trust department or agent in the District's name (category 2), and those deposits which are not collateralized (category 3) at June 30, 2019.

| Cash and cash equivalents/certificates of deposit over three months by balance sheet accounts | Category 1 | Category 2 | Bank Balance | Book Balance |
|---|-------------------|--------------------|---------------------|---------------------|
| Governmental activities | | | | |
| Cash and cash equivalents | \$ 12,802 | \$5,807,836 | \$ 5,820,638 | \$ 5,364,774 |
| Certificates of deposit over three months | 250,000 | 1,183,818 | 1,433,818 | 1,433,818 |
| Agency funds | | | | |
| Cash and cash equivalents | 181,000 | 113,645 | 294,645 | 294,645 |
| Certificates of deposit over three months | 69,000 | | 69,000 | 69,000 |
| Component units | | | | |
| Cash and cash equivalents | 98,731 | 22,802 | 121,533 | 112,496 |
| Component units agency funds | | | | |
| Cash and cash equivalents | 165,587 | | 165,587 | 165,587 |
| Total | \$ 777,120 | \$7,128,101 | \$ 7,905,221 | \$ 7,440,320 |

| Cash and cash equivalents by entity | Bank Balance | Book Balance |
|--|---------------------|---------------------|
| Jamestown Public School District No. 1 | | |
| Cash and cash equivalents | \$ 6,116,338 | \$ 5,659,419 |
| Certificates of deposit over three months | 1,502,818 | 1,502,818 |
| Less cash on hand | (1,055) | |
| Total Jamestown Public School | <u>7,618,101</u> | <u>7,162,237</u> |
| James Valley Career and Technology Center | | |
| Cash and cash equivalents | 287,420 | 278,083 |
| Less cash on hand | (300) | |
| Total James Valley | <u>287,120</u> | <u>278,083</u> |
| Total Under Custody of the District | \$ 7,905,221 | \$ 7,440,320 |

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2019

3. Annuity

Investments consist of a deferred annuity and a whole life insurance plan purchased at a cost of \$114,582. The investment is payable to a former employee.

4. Due From Other Governments

Due from other governments consists of the following as of June 30, 2019:

| | |
|---|-------------------------|
| Primary Government | |
| General Fund | |
| Local funds | |
| Tuition | \$ 1,848 |
| State funds | |
| Career & Technology education | 59,310 |
| Special education – Medicaid reimbursement | 41,558 |
| Federal funds | |
| Title I | 432,301 |
| Title II A | 123,153 |
| Title IV | 20,196 |
| Striving readers | 67,615 |
| IDEA B | 482,389 |
| IDEA B preschool | 16,036 |
| Total Jamestown Public School | <u>\$ 1,244,406</u> |
| Component Units | |
| James Valley Career & Technology Center | |
| State funds | |
| Vocational aid | \$ 194,693 |
| Career & Technology education | 12,754 |
| Total James Valley Career & Technology Center | <u>\$ 207,447</u> |
| Total Reporting Entity | <u>\$ 1,451,853</u> |

5. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2019, consist of the following:

| | |
|--|-------------------|
| General fund to Debt Service for bond service costs | \$ 251,022 |
| General fund to Debt Service for copier lease payments | 38,234 |
| Debt Service fund to General fund to close out | 136,577 |
| Special Revenue fund to General fund for general office costs and maintenance for School Lunch | 10,000 |
| Capital Projects fund to Debt Service fund for bond service costs | 63,193 |
| | <u>\$ 499,026</u> |

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2019

6. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

| <i>Primary Government</i> | Balance June 30, 2018 | Additions | Deletions | Balance June 30, 2019 |
|--|--------------------------|---------------------|------------------|--------------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land and improvements | \$ 1,468,936 | \$ 112,737 | \$ | \$ 1,581,673 |
| Total Capital Assets Not Being Depreciated | <u>1,468,936</u> | <u>112,737</u> | | <u>1,581,673</u> |
| Capital Assets Being Depreciated | | | | |
| Buildings and improvements | 37,460,899 | | | 37,460,898 |
| Equipment and vehicles | 7,912,525 | 503,054 | 235,010 | 8,180,570 |
| Total Capital Assets Being Depreciated | <u>45,373,424</u> | <u>503,054</u> | <u>235,010</u> | <u>45,641,468</u> |
| Total Capital Assets | <u>46,842,360</u> | <u>615,791</u> | <u>235,010</u> | <u>47,223,141</u> |
| Less Accumulated Depreciation for | | | | |
| Buildings and improvements | 15,373,137 | 694,453 | | 16,067,590 |
| Equipment and vehicles | 5,760,971 | 674,761 | 224,862 | 6,210,870 |
| Total Accumulated Depreciation | <u>21,134,108</u> | <u>1,369,214</u> | <u>224,862</u> | <u>22,278,460</u> |
| Net Capital Assets | <u>\$ 25,708,252</u> | <u>\$ (753,423)</u> | <u>\$ 10,148</u> | <u>\$ 24,944,681</u> |

Discretely Presented Component Units

Activity for James Valley Career and Technology Center for the year ended June 30, 2019 was as follows:

| | Balance June 30, 2018 | Additions | Deletions | Balance June 30, 2019 |
|--|--------------------------|--------------------|-----------|--------------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land and improvements | \$ 45,598 | \$ | \$ | \$ 45,598 |
| Capital Assets Being Depreciated | | | | |
| Buildings and improvements | 1,607,700 | | | 1,607,700 |
| Equipment and vehicles | 328,623 | | | 328,623 |
| Total Capital Assets Being Depreciated | <u>1,936,323</u> | | | <u>1,936,323</u> |
| Total Capital Assets | <u>1,981,921</u> | | | <u>1,981,921</u> |
| Less accumulated depreciation | | | | |
| Buildings and improvements | 1,286,160 | 32,154 | | 1,318,314 |
| Equipment and vehicles | 256,412 | 21,191 | | 277,603 |
| Total Accumulated Depreciation | <u>1,542,572</u> | <u>53,345</u> | | <u>1,595,917</u> |
| Net Capital Assets | <u>\$ 439,349</u> | <u>\$ (53,345)</u> | <u>\$</u> | <u>\$ 386,004</u> |

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2019

6. Capital Assets - continued

Depreciation expense by function

Primary Government

Instruction

Regular

\$ 1,140,328

Support

Administrative services

22,844

Operation and maintenance

46,971

Other

159,071

Total Primary Government

1,369,214

Component Units

James Valley

53,345

Total Depreciation Expense

\$ 1,422,559

7. Deferred Outflows/Inflows of Resources

In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The District currently has deferred outflows of resources related to pensions and other post-employment benefits.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The District currently has deferred inflows of resources related to pensions and other post-employment benefits. The District has unavailable revenue from a variety of resources in the governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

8. Long-Term Obligations

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

Primary Government

| | Balance June 30, 2018 | Increases | Decreases | Balance June 30, 2019 | Amounts Due Within One Year |
|---|--------------------------|-----------|----------------|--------------------------|-----------------------------------|
| Bonds and Lease/Purchase | | | | | |
| Limited tax school building bonds, Series 2011 | \$ 925,000 | \$ | \$ 225,000 | \$ 700,000 | \$ 235,000 |
| Bond discount | (4,738) | | (1,237) | (3,501) | |
| Limited tax school building bonds, Series 2012 | 590,000 | | 50,000 | 540,000 | 50,000 |
| Bond discount | (11,442) | | (2,367) | (9,075) | |
| Lease/purchase, copiers | 156,124 | | 38,235 | 117,889 | 38,234 |
| Total Bonds and Lease/Purchase | <u>1,654,944</u> | | <u>309,631</u> | <u>1,345,313</u> | <u>323,234</u> |

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2019

8. Long-Term Obligations – continued

| | Balance June 30, 2018 | Increases | Decreases | Balance June 30, 2019 | Amounts Due Within One Year |
|-------------------------------|--------------------------|-------------------|---------------------|--------------------------|-----------------------------------|
| Other Liabilities | | | | | |
| Annuity payable | 255,011 | 5,380 | | 260,391 | |
| Vested compensated absences | 78,547 | 76,151 | | 154,698 | |
| Net pension obligation - PERS | 27,423,798 | | 1,179,223 | 26,244,575 | |
| Net pension obligation – TFFR | 4,981,126 | 490,710 | | 5,471,836 | |
| Net OPEB liability | 231,314 | 8,345 | | 239,659 | |
| Total Other Liabilities | <u>32,969,796</u> | <u>580,586</u> | <u>1,479,223</u> | <u>32,371,159</u> | |
| Total Long-Term Liabilities | <u>\$ 34,624,740</u> | <u>\$ 580,586</u> | <u>\$ 1,488,854</u> | <u>\$ 33,716,472</u> | <u>\$ 323,234</u> |

Discretely Presented Component Unit

James Valley

Other Liabilities

| | | | | | |
|-----------------------------|-----------------|-----------|-----------------|-----------------|-----------|
| Vested compensated absences | <u>\$ 4,595</u> | <u>\$</u> | <u>\$ 1,000</u> | <u>\$ 3,595</u> | <u>\$</u> |
|-----------------------------|-----------------|-----------|-----------------|-----------------|-----------|

\$2,350,000 limited tax school building bonds, series 2011, dated June 8, 2011, due in annual installments of \$155,000 to \$240,000 starting May 1, 2012 to May 1, 2022 with interest at 2.0% to 3.0%.

\$835,000 limited tax school building bonds, series 2012, dated April 18, 2012, due in annual installments of \$45,000 to \$60,000 starting August 1, 2013 to August 1, 2028 with interest at .650% to 3.0%.

\$206,809 lease/purchase dated August 1, 2012, due in monthly payments of \$3,446.82 starting August 1, 2012 through July 1, 2017.

\$191,172 lease/purchase dated August 1, 2017, due in annual payments of \$38,234 starting August 1, 2017 through July 1, 2022.

The District has entered into a deferred compensation agreement with a former employee. The agreement calls for the payment of not less than \$144,000, to be paid in 120 equal monthly installments of \$1,200 beginning January 30, 2007. In order to satisfy this liability, the District has purchased a deferred annuity and whole life insurance plan at a cost of \$114,582.

Estimated payments of accumulated employee benefits and other commitments are not included in the following schedule.

Debt service requirements to maturity on general obligation debt are as follows:

| Year | Principal | Interest | Total |
|-------------|---------------------|-------------------|---------------------|
| 2020 | \$ 285,000 | \$ 32,690 | \$ 317,690 |
| 2021 | 290,000 | 25,453 | 315,453 |
| 2022 | 275,000 | 17,717 | 292,717 |
| 2023 | 50,000 | 10,005 | 60,005 |
| 2024 | 55,000 | 8,797 | 63,797 |
| 2025 – 2029 | 285,000 | 21,633 | 306,633 |
| Totals | <u>\$ 1,240,000</u> | <u>\$ 116,295</u> | <u>\$ 1,356,295</u> |

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2019

8. Long-Term Obligations – continued

The School leases equipment with a historical cost of \$191,172 and accumulated amortization of \$35,048 under capital lease arrangements. Future minimum lease payments at June 30, 2019, are as follows:

| | | |
|------|----|--------|
| 2020 | \$ | 38,234 |
| 2021 | | 38,234 |
| 2022 | | 38,234 |
| 2023 | | 3,186 |

9. North Dakota Teachers' Fund for Retirement

The following brief description of TFFR is provided for general information purposes only. Participants should refer to the 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.

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2019

9. North Dakota Teachers' Fund for Retirement - continued

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

An active member is eligible to receive disability benefits when: (a) a total disability lasting 12 months or more does not allow the continuation of teaching, (b) the member has accumulated five years of credited service in North Dakota, and (c) the Board of Trustees of TFFR has determined eligibility based on 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.

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2019

9. North Dakota Teachers' Fund for Retirement - continued

Member and Employer Contributions

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

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

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

At June 30, 2019, the District reported a liability of \$26,244,575 for its proportionate share of the 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 1.96904464 which was a decrease of .02755414% from its proportion measured as of July 1, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$1,963,771. 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 | \$ 71,230 | \$ 713,780 |
| Changes in assumptions | 1,445,768 | |
| Net difference between projected and actual earnings on pension plan investments | | 90,736 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | | 1,351,179 |
| District contributions subsequent to the measurement date | 1,723,688 | |
| Total | <u>\$ 3,240,686</u> | <u>\$ 2,155,695</u> |

Deferred outflows of resources related to pensions in the amount of \$1,723,688 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, 2020.

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2019

9. North Dakota Teachers' Fund for Retirement - continued

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

| | | |
|---------------------|----|-----------|
| Year ended June 30: | | |
| 2020 | \$ | 502,905 |
| 2021 | | 136,031 |
| 2022 | | (507,595) |
| 2023 | | (454,412) |
| 2024 | | (187,189) |
| Thereafter | | (128,436) |

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

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

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

The actuarial assumptions used were based on the results of an actuarial experience study dated April 30, 2015. They are the same as the assumptions used in the July 1, 2018, funding actuarial valuation for TFFR.

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

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

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

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2019

9. North Dakota Teachers' Fund for Retirement - continued

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|---------------------|-------------------|---|
| Global Equities | 58% | 6.7% |
| Global Fixed Income | 23% | 1.5% |
| Global Real Assets | 18% | 5.1% |
| Cash Equivalents | 1% | 0.0% |

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2018 Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of July 1, 2018. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2018.

Sensitivity of the 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%) |
|---|---------------------|----------------------------------|---------------------|
| District's proportionate share of the net pension liability | \$ 35,437,770 | \$ 26,244,575 | \$ 18,598,693 |

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

10. North Dakota Public Employees Retirement System

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

NDPERS is a cost-sharing 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

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1

Jamestown, North Dakota

NOTES TO FINANCIAL STATEMENTS - continued

Year Ended June 30, 2019

10. North Dakota Public Employees Retirement System - continued

employees and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. 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 payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

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

Refunds of Member Account Balance

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

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2019

10. North Dakota Public Employees Retirement System - continued

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

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

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

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

At June 30, 2019, the District reported a liability of \$5,471,836 for its proportionate share of the net pension liability. The net pension liability was measured as of July 01, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At July 01, 2018, the District's proportion was .324236 percent which was an increase of .014335 from its proportion measured as of July 1, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$904,074. 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 | \$ 14,484 | \$ 186,163 |
| Net difference between projected and actual earnings on pension plan investments | | 26,621 |
| Change of assumptions | 1,975,219 | 78,100 |
| Changes in proportion and difference between employer contribution and proportionate share of contributions | 178,331 | 141,708 |
| District contributions subsequent to the measurement date | 236,290 | |
| Total | \$ 2,404,324 | \$ 432,592 |

Deferred outflows of resources related to pensions in the amount of \$236,290 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, 2020.

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2019

10. North Dakota Public Employees Retirement System - continued

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

| | |
|---------------------|------------|
| Year ended June 30: | |
| 2020 | \$ 564,562 |
| 2021 | 492,012 |
| 2022 | 420,643 |
| 2023 | 234,404 |
| 2024 | 23,821 |

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 | Service at | State | Non-State |
| | Beginning of Year | Employee | Employee |
| | 0 | 12.00% | 15.00% |
| | 1 | 9.50% | 10.00% |
| | 2 | 7.25% | 8.00% |
| | Age | | |
| | Under 30 | 7.25% | 10.00% |
| | 30 – 39 | 6.50% | 7.50% |
| | 40 – 49 | 6.25% | 6.75% |
| | 50 – 59 | 5.75% | 6.50% |
| | 60+ | 5.00% | 5.25% |
| | *age-based salary increase rates apply for employees with three or more years of service | | |
| 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 were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

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

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|----------------------|-------------------|--|
| Domestic Equity | 30% | 6.05% |
| International Equity | 21% | 6.71% |
| Private Equity | 7% | 10.20% |

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2019

10. North Dakota Public Employees Retirement System - continued

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

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 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 6.32 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 (5.32 percent) or 1-percentage point higher (7.32 percent) than the current rate:

| | <u>1% Decrease (5.32%)</u> | <u>Current Discount Rate (6.32%)</u> | <u>1% Increase (7.32%)</u> |
|---|----------------------------|--|----------------------------|
| District's proportionate share of the net pension liability | \$ 7,435,208 | \$ 5,471,836 | \$ 3,833,466 |

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

11. North Dakota Public Employees Retirement System Other Post Employment Benefits (OPEB)

The following brief description of the 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 the Judges retired under Chapter 27-17 of the

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2019

11. North Dakota Public Employees Retirement System Other Post Employment Benefits (OPEB) - continued

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

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

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

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

At June 30, 2019, the District reported a liability of \$239,659 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2018, the District's

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2019

11. North Dakota Public Employees Retirement System Other Post Employment Benefits (OPEB) - continued

proportion was .304412 percent which is an increase of .011984 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized OPEB expenses of \$30,910. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 7,178 | \$ 4,953 |
| Net difference between projected and actual earnings on OPEB plan investments | | 5,158 |
| Change of assumptions | 19,671 | |
| Changes in proportion and difference between employer contribution and proportionate share of contributions. | 7,851 | |
| District contributions subsequent to the measurement date | 37,833 | |
| Total | \$ 72,533 | \$ 10,111 |

\$37,833 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020.

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

| Year ended June 30: | |
|----------------------|----------|
| 2020 | \$ 3,295 |
| 2021 | 3,295 |
| 2022 | 3,295 |
| 2023 | 5,571 |
| 2024 | 5,153 |
| 2,025 | 3,332 |
| 2,026 and thereafter | 648 |

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 | 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

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2019

11. North Dakota Public Employees Retirement System Other Post Employment Benefits (OPEB) - continued

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:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-term Expected Real Rate of Return</u> |
|-----------------------------|--------------------------|---|
| Large Cap Domestic Equities | 37% | 7.15% |
| Small Cap Domestic Equities | 9% | 14.42% |
| International Equities | 14% | 8.83% |
| Core-Plus Fixed Income | 40% | .10% |

Discount rate. The discount rate used to measure the total OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018 and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the 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 7.5%, 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:

| | <u>1% Decrease (6.5%)</u> | <u>Current Discount Rate (7.5%)</u> | <u>1% Increase (8.5%)</u> |
|--|---------------------------|-------------------------------------|---------------------------|
| District's proportionate share of the net OPEB liability | \$ 303,335 | \$ 239,659 | \$ 185,232 |

12. Risk Management

The District is exposed to various risks related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; health care of its employees and natural disasters. The District is self-insured for employee health insurance. The District has established a separate fund to account for this activity: Health Insurance. Each participating fund makes payments to the health insurance fund. Such payments are displayed on the financial statements as revenues and expenditures/expenses to the extent that

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2019

12. Risk Management - continued

the charge to the other funds is based on the actual expenses of the funds plus an additional amount for catastrophic losses. Payments in excess of these amounts, if any, are reported as operating transfers.

The District has contracted with third party administrators (TPAs) to administer the employee health insurance programs and to review and process claims. In addition, the District has contracted with third party carriers for specific and aggregate stop loss coverage to limit the District's exposure to losses. The specific and aggregate stop loss coverage is as follows:

Health Insurance - The District is self-insured for \$60,000 per individual per year.

Additionally, commercial insurance covers claims in excess of an aggregate amount for the District (which is determined annually based upon the District's past claim experience) up to 120% of expected claims per plan year. Settled claims have not exceeded the commercial coverage in the last three years. All funds of the District participate in the program and make payments to the Group Health Insurance Fund based on individual employee premiums.

The unpaid claims liability of \$143,193 for 2019 and \$125,526 for 2018 has been accrued since the District reports on the modified accrual basis. The District currently does not discount its unpaid claims liabilities.

A Reconciliation of Unpaid Claims Liabilities is shown below:

| | <u>2019</u> | <u>2018</u> |
|--|--------------------|--------------------|
| Reconciliation of Unpaid Claims Liabilities | | |
| Unpaid claims and claim adjustment expenses at beginning of year | \$ 125,526 | \$ 131,558 |
| Incurred claims and claim adjustment expense | | |
| Provision for insured events of the current year | 3,609,939 | 3,342,454 |
| Claim and claim adjustment expenses attributable to insured events of the current year | <u>(3,592,272)</u> | <u>(3,348,486)</u> |
| Unpaid claims and claim adjustment expenses at end of year | <u>\$ 143,193</u> | <u>\$ 125,526</u> |

The District's risk for liability coverage, real and personal property, is covered by premiums paid to commercial carriers. The District's risk for worker's compensation is covered by premiums paid to the North Dakota Workforce Safety & Insurance. The Bureau was created by the Legislature of the State of North Dakota. There has been no major reduction in insurance coverage and settled claims from these risks have not exceeded commercial coverage for the past three years.

13. Contingencies

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with items and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. The District's management believes it has complied with all applicable grant provisions. In the opinion of management, any possible disallowed claim would not have a material adverse effect on the overall financial position of the District as of June 30, 2019.

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2019

14. Governmental Activities Net Position

Governmental activities net position reported on the Government Wide Statement of Net Position at June 30, 2019 include the following:

Governmental Activities

| | | |
|---|----|-----------------------|
| Net investment in capital assets | | |
| Capital assets, net of accumulated depreciation | \$ | 24,944,681 |
| Less: related long-term debt outstanding | | <u>(1,345,313)</u> |
| Net Investment in Capital Assets | | <u>23,599,368</u> |
| Restricted | | |
| Capital projects | | 832,379 |
| Operations | | <u>398,464</u> |
| Total Restricted | | <u>1,230,843</u> |
| Unrestricted | | <u>(24,029,024)</u> |
| Total Governmental Activities Net Position | \$ | <u><u>801,187</u></u> |

15. Governmental Fund Balances

Governmental fund balances reported on the fund financial statements at June 30, 2019, include the following:

| | <u>General</u> | <u>Capital Projects</u> | <u>School Lunch</u> | <u>Special Reserve</u> |
|------------------|--------------------|-----------------------------|-------------------------|----------------------------|
| Nonspendable | | | | |
| Inventories | \$ | \$ | \$ 28,185 | \$ |
| Restricted | | | | |
| Debt service | | | | |
| Capital projects | | 798,035 | | |
| Operations | | | | 398,464 |
| Assigned | | | | |
| School lunch | | | 128,406 | |
| Unassigned | | | | |
| | <u>3,354,979</u> | | | |
| | <u>\$3,354,979</u> | <u>\$ 798,035</u> | <u>\$ 156,591</u> | <u>\$ 398,464</u> |

REQUIRED SUPPLEMENTARY INFORMATION

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1

Jamestown, North Dakota
BUDGET AND ACTUAL (With Variances)

General Fund
 Year ended June 30, 2019

| | Budgeted Amounts | | Final | Actual Amounts, Budgetary Basis | | Variance with Final Budget - Positive (Negative) |
|---|------------------|--------------|-------|------------------------------------|-----------------|---|
| | Original | Final | | Final | Budgetary Basis | (Negative) |
| REVENUES | | | | | | |
| Local sources | \$ 6,765,225 | \$ 6,755,225 | \$ | 6,503,880 | \$ | (251,345) |
| County sources | 104,205 | 104,205 | | 104,446 | | 241 |
| State sources | 20,501,429 | 20,510,059 | | 20,225,888 | | (284,171) |
| Federal sources | 2,201,354 | 2,205,354 | | 1,853,782 | | (351,572) |
| Investment earnings | 5,000 | 5,000 | | 21,806 | | 16,806 |
| Miscellaneous | | | | 7,683 | | 7,683 |
| Total Revenues | 29,577,213 | 29,579,843 | | 28,717,485 | | (862,358) |
| EXPENDITURES | | | | | | |
| Instruction | | | | | | |
| Regular | 14,372,847 | 14,381,477 | | 14,429,113 | | (47,636) |
| Federal | 1,384,596 | 1,388,596 | | 1,139,843 | | 248,753 |
| Special education | 5,017,600 | 5,017,600 | | 4,833,020 | | 184,580 |
| Vocational education | 442,071 | 442,071 | | 466,878 | | (24,807) |
| Support services | | | | | | |
| Instructional support services | 1,409,639 | 1,409,639 | | 1,351,070 | | 58,569 |
| Administrative services | 684,112 | 684,112 | | 611,764 | | 72,348 |
| Operation and maintenance of plant | 2,120,417 | 2,120,417 | | 1,881,447 | | 238,970 |
| Student transportation | 545,350 | 545,350 | | 528,231 | | 17,119 |
| Extracurricular activities | 994,596 | 994,596 | | 966,324 | | 28,272 |
| Other support services | 428,664 | 428,664 | | 411,441 | | 17,223 |
| Community services | 31,150 | 31,150 | | 9,726 | | 21,424 |
| Tuition and assessment | 2,007,000 | 2,007,000 | | 2,033,403 | | (26,403) |
| Total Expenditures | 29,438,042 | 29,450,672 | | 28,662,260 | | 788,412 |
| Excess (deficiency) of revenues over expenditures | 139,171 | 129,171 | | 55,225 | | (73,946) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 138,000 | 148,000 | | 146,577 | | (1,423) |
| Transfer out | (251,023) | (251,023) | | (289,256) | | (38,233) |
| Total other financing sources and uses | (113,023) | (103,023) | | (142,679) | | (39,656) |
| Net change in fund balances | 26,148 | 26,148 | | (87,454) | | (113,602) |
| Fund balances - beginning | 3,442,433 | 3,442,433 | | 3,442,433 | | |
| Fund balances - ending | \$ 3,468,581 | \$ 3,468,581 | | \$ 3,354,979 | | \$ (113,602) |

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
General Fund
Year Ended June 30, 2019

Note A – Budgets and Budgetary Accounting

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

1. The Superintendent in consultation with the Business Manager and the Finance Committee prepares the District budget on the cash basis of accounting. In June, the Finance Committee recommends that the School Board accept the budget. The budget includes proposed expenditures and the means of financing them. For budgetary purposes, property tax revenues and state and federal aid are recognized on the cash basis. The budget includes the general fund, the school lunch fund and the special reserve fund (special revenue).
2. The School Board reviews the budget, may make revisions and approves it on or before August 15. The budget must be filed with the county auditor by August 25.
3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared except no amendment changing the taxes levied can be made after October 10.
4. The balance of each appropriation becomes a part of the unappropriated balance at year-end.

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
 Jamestown, North Dakota

SCHEDULE OF SCHOOL DISTRICT'S SHARE OF NET PENSION LIABILITY
 ND Public Employees Retirement System
 Last 10 Fiscal Years*

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|--------------|--------------|--------------|--------------|--------------|
| Employer's proportion of the net pension liability | 0.324236% | 0.309901% | 0.332878% | 0.309690% | 0.323482% |
| Employer's proportionate share of the net pension liability | \$ 5,471,836 | \$ 4,981,126 | \$ 3,244,221 | \$ 2,105,839 | \$ 2,053,209 |
| Employer's covered payroll | \$ 3,330,930 | \$ 3,163,605 | \$ 3,354,623 | \$ 2,758,958 | \$ 2,724,949 |
| Employer's proportionate share of the net pension liability as a percentage of its covered - employee payroll | 164.27% | 157.45% | 96.71% | 76.33% | 75.35% |
| Plan fiduciary net position as a percentage of the total pension liability | 62.80% | 61.98 | 70.46% | 77.15% | 77.70% |

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

SCHEDULE OF SCHOOL DISTRICT'S CONTRIBUTIONS
 ND Public Employees Retirement System
 Last 10 Fiscal Years*

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|--------------|--------------|--------------|--------------|--------------|
| Statutorily required contributions | \$ 245,337 | \$ 229,400 | \$ 242,869 | \$ 209,565 | \$ 194,016 |
| Contributions in relation to the statutorily required contributions | \$ (234,304) | \$ (240,790) | \$ (226,186) | \$ (211,422) | \$ (194,016) |
| Contribution deficiency (excess) | \$ 11,033 | \$ (11,390) | \$ 16,683 | \$ (1,857) | \$ |
| Employer's covered-employee payroll | \$ 3,330,930 | \$ 3,163,605 | \$ 3,354,623 | \$ 2,758,958 | \$ 2,724,949 |
| Contributions as a percentage of covered-employee payroll | 7.03% | 7.61% | 6.74% | 7.66% | 7.12% |

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

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
 ND Public Employees Retirement System

1. CHANGES OF ASSUMPTIONS

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

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
SCHEDULE OF SCHOOL DISTRICT'S SHARE OF NET OPEB LIABILITY
ND Public Employees Retirement System
Last 10 Fiscal Years*

| | <u>2019</u> | <u>2018</u> |
|--|--------------|--------------|
| Employer's proportion of the net OPEB liability | 0.304412% | 0.292428% |
| Employer's proportionate share of the net OPEB liability | \$ 239,745 | \$ 231,314 |
| Employer's covered payroll | \$ 3,330,930 | \$ 3,163,605 |
| Employer's proportionate share of the net OPEB liability as a percentage of its covered - employee payroll | 7.20% | 7.31% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 61.89% | 59.78% |

*Complete data for this schedule is not available prior to 2017.

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
SCHEDULE OF SCHOOL DISTRICT'S OPEB CONTRIBUTIONS
ND Public Employees Retirement System
Last 10 Fiscal Years*

| | <u>2019</u> | <u>2018</u> |
|---|--------------|--------------|
| Statutorily required contributions | \$ 39,070 | \$ 36,775 |
| Contributions in relation to the statutorily required contributions | \$ (37,515) | \$ (38,553) |
| Contribution deficiency (excess) | \$ 1,555 | \$ (1,778) |
| Employer's covered-employee payroll | \$ 3,330,930 | \$ 3,163,605 |
| Contributions as a percentage of covered-employee payroll | 1.13% | 1.22% |

*Complete data for this schedule is not available prior to 2017.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
ND Public Employees Retirement System

1. CHANGES OF ASSUMPTIONS

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

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
SCHEDULE OF SCHOOL DISTRICT'S SHARE OF NET PENSION LIABILITY
ND Teachers' Fund for Retirement
Last 10 Fiscal Years*

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------------|---------------|---------------|---------------|---------------|
| Employer's proportion of the net pension liability | 1.969044% | 1.996599% | 2.012947% | 2.088696% | 2.170102% |
| Employer's proportionate share of the net pension liability | \$ 26,244,575 | \$ 27,423,798 | \$ 29,490,845 | \$ 27,317,119 | \$ 22,738,822 |
| Employer's covered payroll | \$ 13,385,750 | \$ 13,476,470 | \$ 13,078,614 | \$ 12,847,669 | \$ 12,587,748 |
| Employer's proportionate share of the net pension liability as a percentage of its covered - employee payroll | 196.06% | 203.49% | 225.49% | 212.62% | 180.64% |
| Plan fiduciary net position as a percentage of the total pension liability | 65.50% | 63.20% | 59.20% | 62.10% | 66.60% |

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

SCHEDULE OF SCHOOL DISTRICT'S CONTRIBUTIONS
ND Teachers' Fund for Retirement
Last 10 Fiscal Years*

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|----------------|----------------|----------------|----------------|----------------|
| Statutorily required contributions | \$ 1,706,684 | \$ 1,718,250 | \$ 1,667,524 | \$ 1,637,999 | \$ 1,353,170 |
| Contributions in relation to the statutorily required contributions | \$ (1,706,684) | \$ (1,718,250) | \$ (1,667,524) | \$ (1,637,999) | \$ (1,353,170) |
| Contribution deficiency (excess) | \$ | \$ | \$ | \$ | \$ |
| Employer's covered-employee payroll | \$ 13,385,750 | \$ 13,476,470 | \$ 13,078,614 | \$ 12,847,669 | \$ 12,587,748 |
| Contributions as a percentage of covered-employee payroll | 12.75% | 12.75% | 12.75% | 12.75% | 10.75% |

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

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
ND Teachers' Fund for Retirement

1. CHANGES OF ASSUMPTIONS. Amounts reported in 2016 reflect the following actuarial assumption changes effective July 1, 2015 based on the results of an actuarial experience study dated April 30, 2015.

Investment return assumption lowered from 8% to 7.75%.

Inflation assumption lowered from 3% to 2.75%.

Total salary scale rates lowered by 0.25% due to lower inflation

Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.

Rates of turnover and retirement were changed to better reflect anticipated future experience.

Update mortality assumption to the RP-2014 mortality tables with generational improvement.

OTHER SUPPLEMENTARY INFORMATION

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
SCHOOL DISTRICT OFFICIALS
June 30, 2019

| | |
|------------------|------------------|
| Roger Haut | President |
| Heidi Larson | Vice-President |
| Greg Allen | Board Member |
| Jennifer Schmidt | Board Member |
| Diane Hanson | Board Member |
| Steve Veldkamp | Board Member |
| Robert Toso | Board Member |
| Melissa Gleason | Board Member |
| Jason Rohr | Board Member |
| Robert Lech | Superintendent |
| Sally Ost | Business Manager |

Schauer & Associates, P.C.

Certified Public Accountants

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

School Board
JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, 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, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of **JAMESTOWN 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 **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1's** basic financial statements and have issued our report thereon dated December 15, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered **JAMESTOWN 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 **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1'S** internal control. Accordingly, we do not express an opinion on the effectiveness of **JAMESTOWN 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we considered to be a significant deficiency. (2015-001)

INDEPENDENT AUDITORS' 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 2

Compliance and Other Matters


As part of obtaining reasonable assurance about whether **JAMESTOWN 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*.

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1's Response to Finding

JAMESTOWN 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. **JAMESTOWN 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.



SCHAUER & ASSOCIATES, P.C.
Certified Public Accountants

Jamestown, North Dakota
December 15, 2019

Schauer & Associates, P.C.

Certified Public Accountants

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

School Board
JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota

Report on Compliance for Each Major Federal Program

We have audited JAMESTOWN 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 each of JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1's major federal programs for the year ended June 30, 2019. JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1's major federal programs 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 JAMESTOWN 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 each major federal program. However, our audit does not provide a legal determination of JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1's compliance.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE – continued - 2

Opinion on Each Major Federal Program

In our opinion, JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.


Report on Internal Control over Compliance

Management of JAMESTOWN 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 JAMESTOWN 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 JAMESTOWN 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 weaknesses 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



SCHAUER & ASSOCIATES, P.C.
Certified Public Accountants

Jamestown, North Dakota
December 15, 2019

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
SUPPLEMENTARY INFORMATION - continued
Year Ended June 30, 2019

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal Grantor/Pass-Through Grantor Program Grant Title | Federal CFDA # | Pass-through Grantor Numbers | Expenditures |
|--|-------------------|---------------------------------|---------------------|
| Jamestown Public School District No. 1 | | | |
| U.S. Department of Agriculture | | | |
| Passed through State Department of Public Instruction | | | |
| School Breakfast Program | 10.553 | | \$ 79,074 |
| National School Lunch - cash | 10.555 | | 412,633 |
| National School Lunch - commodities *** | 10.555 | | 98,626 |
| Special Milk Program for Children | 10.556 | | 156 |
| Summer Food Service Program for Children | 10.559 | | 4,586 |
| Child Nutrition Cluster | | | <u>595,075</u> |
| State Administrative expenses for Child Nutrition | 10.560 | | 3,889 |
| Farm to School Grant Program | 10.575 | | 5,664 |
| Fresh Fruit and Vegetable Program | 10.582 | | 30,357 |
| Total Department of Agriculture | | | <u>634,985</u> |
| U.S. Department of Education | | | |
| Passed through State Department of Public Instruction | | | |
| Title I – Grants to Local Education Agencies | 84.010 | | 652,096 |
| Special Education Grants to States | 84.027 | | 701,896 |
| Special Education Preschool Grants | 84.173 | | 16,036 |
| Special Education Cluster (IDEA) | | | <u>717,932</u> |
| Supporting Effective Instruction State Grants | 84.367 | | 213,870 |
| Striving Readers/Comprehensive Literacy Development | 84.371 | | 201,045 |
| Student Support and Academic Enrichment Program | 84.424 | | 68,839 |
| Total Department of Education | | | <u>1,853,782</u> |
| Total Jamestown Public School District No. 1 | | | <u>\$ 2,488,767</u> |
| James Valley Career and Technology Center | | | |
| U.S. Department of Education | | | |
| Passed through State Department of Career & Technical Education | | | |
| Career & Technical Education – Basic Grants to States | 84.048 | | \$ 55,334 |
| Total James Valley Career and Technology Center | | | <u>\$ 55,334</u> |
| Total Federal Awards | | | <u>\$ 2,544,101</u> |

*** NONCASH ASSISTANCE

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
SUPPLEMENTARY INFORMATION - continued
Year Ended June 30, 2019

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1** and component units under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of the **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**.

B. Basis of Accounting

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1** has elected not to use the 10-percent de minimis indirect cost rate as allotted under the Uniform Guidance.

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

A. Summary of Auditors' Results

Financial Statements

Type of Auditors' Report - Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Type of auditors' report issued on compliance for major federal programs – unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) Yes No

Identification of major programs

CFDA Number

10.553, 10.555, 10.556, 10.559

Name of Federal Program or Cluster

Child Nutrition Cluster

Dollar threshold used to distinguish between type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee? Yes No

B. Findings Related to the Financial Statements which are Required to be Reported in Accordance With Government Auditing Standards

Finding 2015-001 Significant Deficiency – Financial Statement Preparation

Condition

Schauer & Associates, P.C. assists the School District's management in preparing financial statements that are presented, including note disclosure in accordance with generally accepted accounting principles.

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
Jamestown, North Dakota
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – continued 2
Year Ended June 30, 2019

Criteria

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

Cause

The School District's Board feels that it is more cost effective to ask an independent accountant to prepare the complete financial statements and disclosures, rather than to invest in ongoing specialized training that would be necessary.

Effect

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

Recommendation

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

View of Responsible Officials - concur

C. Findings and Questioned Costs – Major Federal Award Programs Audit.

1. None

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
207 Second Avenue Southeast
Jamestown, ND 58401

CORRECTIVE ACTION PLAN
Year Ended June 30, 2018

Finding Number: 2015-001

Finding Title: Financial Statement Preparation

Name of Contact Person Responsible for Corrective Action

Sally Ost, Business Manager

Corrective Action Planned: The School Board is aware of this condition. The Board will continue to request that Schauer & Associates, P.C. assist with the preparation of the financial statements but will instruct the School administration to provide all required schedules.

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1
207 Second Avenue Southeast
Jamestown, ND 58401

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2018

Finding Number: 2015-001

Finding Title: Financial Statement Preparation

Summary of Condition: The Jamestown Public School District No. 1 does not have an internal control system designed to provide for the preparation of financial statements being audited.

Summary of Corrective Action Previously Reported: The School Board is aware of this condition. The Board will continue to request that Schauer & Associates, P.C. assist with preparation of financial statements but will instruct School administration to provide all requested schedules.