HAGA KOMMER
CERTIFIED PUBLIC ACCOUNTANTS

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16

AUDIT REPORT

JUNE 30, 2019

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
KILLDEER, NORTH DAKOTA

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HAGA KOMMER
CERTIFIED PUBLIC ACCOUNTANTS

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Killdeer Public School District No. 16
Killdeer, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Killdeer Public School District No. 16, Killdeer, 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 table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Killdeer Public School District No. 16, Killdeer, North Dakota as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the District's share of net pension liability and employer contributions – ND Teachers' Fund for Retirement on page 34, the District's share of net pension liability and employer contributions – ND Public Employees Retirement System on page 35, the District's share of net OPEB liability and employer contributions – ND Public Employees Retirement System on page 36, the budgetary comparison information on page 37, and the notes to the required supplementary information on page 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

INDEPENDENT AUDITOR'S REPORT

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2021, on our consideration of Killdeer Public School District No. 16’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 Killdeer Public School District No. 16’s internal control over financial reporting and compliance.

Haga Kommer, Ltd.

Haga Kommer, Ltd.
Mandan, North Dakota
March 10, 2021

Killdeer Public School District No. 16
Statement of Net Position
June 30, 2019

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	$ 3,523,290
Investments	1,809,142
Accounts Receivable, Net	28,479
Interest Receivable	1,100
Taxes Receivable, Net	85,682
Capital Assets	
Land & Buildings	10,952,669
Building Improvements	2,412,517
Vehicles	1,625,426
Machinery and Equipment	1,280,072
Furniture and Fixtures	904,876
Less Accumulated Depreciation	(5,826,205)
Total Capital Assets, Net of Depreciation	11,349,355
TOTAL ASSETS	16,797,048
DEFERRED OUTFLOWS OF RESOURCES	
Derived from Pension	1,704,820
LIABILITIES	
Salaries and Benefits Payable	2,260
Long-Term Liabilities:	
Portion Due or Payable after One Year	
Net Pension Liability	6,979,576
General Obligation Bonds Payable	150,000
TOTAL LIABILITIES	7,131,836
DEFERRED INFLOWS OF RESOURCES	
Derived from Pension	378,506
NET POSITION	
Net Investment in Capital Assets	11,199,355
Restricted for:	
Capital Projects	2,026,099
Unrestricted	(2,233,928)
TOTAL NET POSITION	$ 10,991,526

The accompanying notes are an integral part of this statement.

Killdeer Public School District No. 16
Statement of Activities
For the Year Ended June 30, 2019

		Program Revenues			Net (Expense) Revenue & Changes in Net Position
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities
Functions/Programs					
Governmental Activities					
Instruction & Instruction-Related Services	$ 5,487,651	$ 218,609	$ 89,794	$ -	$ (5,179,248)
School Administration & Support Services	1,479,502	-	-	772,828	(706,674)
Student Support Services	1,580,377	167,777	116,538	-	(1,296,062)
Community Services	224,994	-	70,729	-	(154,265)
Interest on Long-Term Debt	2,993	-	-	-	(2,993)
Total Primary Government	8,775,517	386,386	277,061	772,828	(7,339,242)
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purpose					2,262,894
Property Taxes, Levied for Capital Projects					463,195
Oil & Gas Production Taxes					2,172,697
Unrestricted Flood Control through County					455,566
State Aid					2,972,483
Unrestricted Investment Earnings					35,206
Other Revenues					152,956
Total General Revenues					8,514,997
Change in Net Position					1,175,755
Net Position - Beginning of Year					9,815,771
Net Position - End of Year					$ 10,991,526

The accompanying notes are an integral part of this statement.

Killdeer Public School District No. 16
Balance Sheet - Governmental Funds
June 30, 2019

	Major Funds				
	General	Capital Projects	Special Reserve	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$ 1,359,250	$ 2,011,222	$ 125,000	$ 27,818	$ 3,523,290
Investments	1,300,000	-	509,142	-	1,809,142
Accounts Receivable, Net	28,479	-	-	-	28,479
Interest Receivable	700	-	400	-	1,100
Taxes Receivable, Net	70,805	14,877	-	-	85,682
TOTAL ASSETS	$ 2,759,234	$ 2,026,099	$ 634,542	$ 27,818	$ 5,447,693
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Salaries and Benefits Payable	$ 2,260	$ -	$ -	$ -	$ 2,260
Total Liabilities	2,260	-	-	-	2,260
Deferred Inflows of Resources:					
Deferred Revenue	70,805	14,877	-	-	85,682
Total Liabilities and Deferred Inflows of Resources	73,065	14,877	-	-	87,942
Fund Balances:					
Restricted for Capital Projects	-	2,011,222	-	-	2,011,222
Assigned for:					
Food Service	-	-	-	27,818	27,818
Special Reserve	-	-	634,542	-	634,542
Unassigned	2,686,169	-	-	-	2,686,169
Total Fund Balances	2,686,169	2,011,222	634,542	27,818	5,359,751
TOTAL LIABILITIES AND FUND BALANCES	$ 2,759,234	$ 2,026,099	$ 634,542	$ 27,818	$ 5,447,693

Total fund balances - governmental funds	$ 5,359,751
Amounts reported for *governmental activities* in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is $17,175,560 and the accumulated depreciation is $5,826,205.	11,349,355
Deferred outflows of resources are not a financial resource available for the current period and, therefore, are not reported in the governmental funds balance sheet.	1,704,820
The net pension liability is not due and payable in the current period and, therefore, is not reported in the governmental funds balance sheet.	(6,979,576)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.	(378,506)
Property taxes receivable will be collected this year but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	85,682
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Balances at June 30, 2019 are:	
General Obligation Bonds Payable	(150,000)
Net position of governmental activities	$ 10,991,526

The accompanying notes are an integral part of this statement.

Killdeer Public School District No. 16
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2019

	Major Funds				
	General	Capital Projects	Special Reserve	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property Taxes	$ 2,284,627	$ 469,465	$ -	$ -	$ 2,754,092
County Revenues	2,172,697	-	-	-	2,172,697
Flood Control through County	455,566	-	-	-	455,566
Tuition Charges	218,609	-	-	-	218,609
Community Service Activities	70,729	-	-	-	70,729
Fees and Charges	37,892	-	-	167,777	205,669
State Aid	3,000,895	772,828	-	1,778	3,775,501
Federal Aid	61,382	-	-	114,760	176,142
Earnings on Investments	35,001	-	-	205	35,206
Miscellaneous	30,426	84,638	-	-	115,064
TOTAL REVENUES	8,367,824	1,326,931	-	284,520	9,979,275
EXPENDITURES					
Current:					
Regular Education Programs	3,870,613	-	-	-	3,870,613
Title II	45,788	-	-	-	45,788
Other Federal Programs	303	-	-	-	303
Improvement of Instruction Service	53,857	-	-	-	53,857
Instructional Media Service	140,646	-	-	-	140,646
School Board	82,515	-	-	-	82,515
Executive Administration	211,897	-	-	-	211,897
Supportive Service - Business	310,921	-	-	-	310,921
Operation & Maintenance	758,822	-	-	-	758,822
Student Activities	450,401	-	-	-	450,401
Student Transportation	697,650	-	-	-	697,650
Vocational Education	165,024	-	-	-	165,024
Special Education	749,747	-	-	-	749,747
Adult Education/Community Services	224,994	-	-	-	224,994
Food Service	-	-	-	326,242	326,242
Capital Outlay:					
Capital Projects	-	1,334,436	-	-	1,334,436
Debt Service:					
Principal	-	90,000	-	-	90,000
Interest	-	2,993	-	-	2,993
TOTAL EXPENDITURES	7,763,178	1,427,429	-	326,242	9,516,849
Excess (Deficiency) of Revenues Over (Under) Expenditures	604,646	(100,498)	-	(41,722)	462,426
OTHER FINANCING SOURCES (USES)					
Transfers In (Out)	(305,000)	275,000	-	30,000	-
TOTAL OTHER FINANCING SOURCES (USES)	(305,000)	275,000	-	30,000	-
NET CHANGE IN FUND BALANCES	299,646	174,502	-	(11,722)	462,426
Fund Balances - July 1, 2018	2,386,523	1,836,720	634,542	39,540	4,897,325
FUND BALANCES - JUNE 30, 2019	$ 2,686,169	$ 2,011,222	$ 634,542	$ 27,818	$ 5,359,751

The accompanying notes are an integral part of this statement.

Killdeer Public School District No. 16

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the year ended June 30, 2019

Net change in fund balances - total governmental funds		$ 462,426
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which purchases exceeded depreciation.		
Capital assets purchased in the current period	$ 1,572,804	
Depreciation expense of capital assets reported	(620,894)	951,910
The proceeds of debt issuances are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement but the repayment reduces long-term liabilities in the statement of net position. The amount of debt issued and repaid is:		90,000
Governmental funds report the pension expense as accrued for actual salaries paid in the expenditures. However in the statement of activities, the pension expense is an actuarial calculation of the cost of the plan accounting for projected future benefits, plan earnings, and contributions.		(300,578)
Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds. Deferred tax revenues decreased by this amount this year.		(28,003)
Change in net position of governmental activities		$ 1,175,755

The accompanying notes are an integral part of this statement.

Killdeer Public School District No. 16
Statement of Fiduciary Net Position
June 30, 2019

	Private-Purpose Trust Fund Scholarship	Agency Funds Student Activities	Agency Funds Flex Benefits
ASSETS			
Cash and Cash Equivalents	$ -	$ 376,257	$ 20,589
Investments	2,168	-	-
TOTAL ASSETS	2,168	$ 376,257	$ 20,589
LIABILITIES			
Due to Employees	-	$ -	$ 20,589
Due to Student Activities Groups	-	376,257	-
TOTAL LIABILITIES		$ 376,257	$ 20,589
NET POSITION			
Held in Trust for:			
Individuals	$ 2,168		

The accompanying notes are an integral part of this statement.

Killdeer Public School District No. 16
Statement of Changes in Fiduciary Net Position
June 30, 2019

	Private-Purpose Trust Fund Scholarship
REVENUE	
Interest Income	$ 6
EXPENDITURES	
Scholarship	-
Change in Net Position	6
Net Position - Beginning of Year	2,162
Net Position - End of Year	$ 2,168

The accompanying notes are an integral part of this statement.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Killdeer Public School District No. 16 complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. Reporting Entity

In accordance with Governmental Accounting Standards Board Statement No. 14 *The Financial Reporting Entity*, for financial reporting purposes the District's financial statements include all accounts of the District's operations. The criteria for including organizations as component units within the District's reporting entity include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is a fiscal dependency by the organization on the District

The District receives funding from local, county, state and federal government sources and must comply with the concomitant requirements of these funding source entities. But, based upon the criteria of Statement No. 14, there are no component units to be included within the District as a reporting entity and the District is not includable as a component unit within another reporting entity.

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Position and the 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 supported by taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Currently, the District does not classify any activities as business-type.

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

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Separate statements are presented for governmental, proprietary and fiduciary activities. The District has no proprietary activities at this time. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The District has presented the following major funds:

General Fund: The General Fund is the main operating fund of the District. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Capital Projects Fund: This fund accounts for financial resources dedicated to the construction of new school buildings, additions to old school buildings, and the making of major repairs to existing buildings.

Special Reserve Fund: This fund is allowed under North Dakota state law and may levy a tax to be used if the general fund has funds insufficient to pay for teacher salaries, heat, lights and fuel.

The agency fund accounts for assets held by the District in a purely custodial capacity and is not included in the government-wide statements. Since the agency fund is custodial in nature, it does not involve the measurement of results of operations. The District has two agency funds which account for monies due to student groups and employees.

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when transactions are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for services, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Interfund Transactions

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of governmental funds.

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

E. Encumbrance Accounting

Encumbrances are commitments related to unperformed contracts for goods and services that may be recorded for budgetary control purposes. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. No reservation of fund balances is provided at year-end.

F. Cash, Cash Equivalents and Investments

Cash and cash equivalents consist of amounts in demand deposits, savings accounts, and certificates of deposit with a maturity of three months or less when purchased.

Credit Risk:

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

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

Investments are stated at fair value for debt securities as required by GASB 31 and cost for certificates of deposit. All investments are reported at current fair market value. The District has not adopted a policy limiting the amount that can be invested with any one issuer.

G. Inventory

A food inventory for the Food Service Fund is not recorded at year end because it is immaterial. School supplies are considered to be an expense in the year they are appropriated.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

H. Capital Assets

Capital assets include buildings, building improvements, vehicles, machinery and equipment, and furniture and fixtures and are reported in the government-wide financial statements. Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Capital assets are defined by the District as assets with an initial, individual cost of $5,000 or more and a useful life of more than one year. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	70 years
Building Improvements	20 years
Vehicles	5-10 years
Machinery and Equipment	5-10 years
Furniture and Fixtures	5-10 years

I. Compensated Absences

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Vested or accumulated vacation leave is not reported in the government-wide statement of net position as it is considered immaterial.

J. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond discounts, premiums, and issuance costs are recognized in the current period.

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

K. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the school board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

L. Fund Balance Classifications

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the school board – the District's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the school board removed the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification reflects the amounts constrained by the District's "intent" to be used for special purposes, but are neither restricted nor committed. The school board and superintendent have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the District's preference is to first use restricted resources, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

M. Deferred Inflows of Resources

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

In addition to assets, the statement of net position will sometimes report a separate section of 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 (expense/expenditure) until then. In addition to liabilities, the statement of net position 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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. See Note 8 for additional information.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

O. Other Post Employment Benefit (OPEB)

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

NOTE 2 DEPOSITS

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

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

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

As of June 30, 2019, the District's carrying balances were $5,332,432 for governmental funds and $399,014 for agency funds. The bank balance of these deposits as of June 30, 2019 was $6,549,101. Of the bank balances, $750,000 was covered by Federal Depository Insurance and $5,799,101 was collateralized with securities held by the pledging financial institutions' agent not in the District's name. During the fiscal year ended June 30, 2019, the board reviewed the pledge of securities semi-annually as required by state law.

NOTE 3 INVESTMENTS

At June 30, 2019, the District's investments were held in certificates of deposit. These investments are reported at fair market value. The interest rates earned on the certificates range from 1.05 percent to 2.03 percent.

NOTE 4 PROPERTY TAX

Under state law, the District is limited in its ability to levy property taxes. All school tax levies are in compliance with state laws. Property taxes attach as an enforceable lien on property on January 1. A 5% reduction is allowed if paid by February 15th. Penalty and interest are added March 1st unless the first half of the taxes has been paid. Additional penalties are added October 15th if not paid. Taxes are collected by the county and remitted monthly to the school.

In its fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end. Taxes receivable consist of current and delinquent uncollected taxes at June 30. No allowance has been established for estimated uncollectible taxes because an offsetting deferred revenue has been recorded.

In the government-wide financial statements, property taxes are recorded as a receivable and revenue when assessed.

NOTE 5 ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts from other organizations for goods and services furnished by the District. Management has deemed all receivables to be collectible; therefore, no allowance has been established for uncollectible accounts.

NOTE 6 CAPITAL ASSETS

Capital assets consist of the following as of June 30, 2019:

Land & Buildings	$ 10,952,669
Building Improvements	2,412,517
Vehicles	1,625,426
Machinery and Equipment	1,280,072
Furniture and Fixtures	904,876
Total	17,175,560
Less Accumulated Depreciation	(5,826,205)
Total Capital Assets, Net of Depreciation	$ 11,349,355

Depreciation expense for the year ended June 30, 2019 was $620,894 and is reported in the government-wide statement of activities. Depreciation charged to instruction and instruction-related services is $314,794, school administration and support services is $200,016, and student support services is $106,084.

NOTE 6 CAPITAL ASSETS (CONTINUED)

Following is a summary of changes in capital assets and accumulated depreciation for the year ended June 30, 2019:

	Capital Assets	Accumulated Depreciation	Total
Balance, June 30, 2018	$ 15,602,756	$ 5,205,311	$ 10,397,445
Purchases	1,572,804	-	1,572,804
Dispositions	-	-	-
Current Year Depreciation	-	620,894	(620,894)
Balance, June 30, 2019	$ 17,175,560	$ 5,826,205	$ 11,349,355

NOTE 7 LONG-TERM DEBT

Following is a summary of long-term debt activity for the year ended June 30, 2019:

	General Obligation Bonds Payable
Payable, 6/30/18	$ 240,000
Increases	-
Decreases	(90,000)
Payable, 6/30/19	$ 150,000

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

	General Obligation Bonds	
Ending June 30	Principal	Interest
2020	$ -	$ 713
2021	50,000	1,188
2022	50,000	713
2023	50,000	237
Total	$ 150,000	$ 2,851

The following is a summary of long-term debt of the District for the year ended June 30, 2019:

General Obligation Bonds Payable:	
$450,000 General Obligation Building Fund Bonds, Series 2013, due in annual installments of $30,000 to $50,000 through August 1, 2022; interest at 0.45% to 0.95%.	$ 150,000

NOTE 8 DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (PENSIONS)

Details of the Deferred Outflows of Resources and Deferred Inflows of Resources on the face of the financial statements as of June 30, 2019 are as follows:

Deferred Outflows of Resources	
Derived from pension - TFFR	$ 1,001,330
Derived from pension - NDPERS	679,529
Derived from pension - OPEB	23,961
Total	$ 1,704,820
Deferred Inflows of Resources	
Derived from pension - TFFR	$ 245,224
Derived from pension - NDPERS	130,931
Derived from pension - OPEB	2,351
Total	$ 378,506

Note 9 of the financial statements contains detail of the pension plans.

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)

1. North Dakota Teacher's Fund for Retirement

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

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

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

Pension Benefits

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

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENFITS (OPEB) – CONTINUED

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 must also qualify for benefits calculated under other formulas.

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENFITS (OPEB) – CONTINUED

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

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

At June 30, 2019, the District reported a liability of $5,651,719 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 0.42402996 percent, which was an increase of 0.0194755 percent from its proportion measured as of July 1, 2017.

For the year ended June 30, 2019, the District recognized pension expense of $537,915. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 15,339	$ 153,711
Changes of assumptions	311,343	-
Net difference between projected and actual earnings on pension plan investments	-	19,540
Changes in proportion and differences between employer contributions and proportionate share of contributions	283,912	71,973
Employer contributions subsequent to the measurement date (see below)	390,736	-
Total	$ 1,001,330	$ 245,224

$390,736 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pensions liability in the year ended June 30, 2020.

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

For the year ended June 30,	
2020	$ 223,321
2021	144,315
2022	5,713
2023	(36,025)
2024	9,739
Thereafter	18,307

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.

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58%	6.7%
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 Employer'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:

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Employer's proportionate share of the net pension liability	$ 7,631,455	$ 5,651,719	$ 4,005,193

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.

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

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The annual 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.

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

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

At June 30, 2019, the District reported a liability of $1,272,120 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2018, the District's proportion was 0.075380 percent which was an increase of 0.015417 percent from its proportion measured as of June 30, 2017.

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENFITS (OPEB) – CONTINUED

For the year ended June 30, 2019, the District recognized pension expense of $228,290. 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	$ 3,368	$ 43,280
Changes of assumptions	459,209	18,157
Net difference between projected and actual earnings on pension plan investments	-	6,189
Changes in proportion and differences between employer contributions and proportionate share of contributions	144,026	63,305
Employer contributions subsequent to the measurement date (see below)	72,926	-
Total	$ 679,529	$ 130,931

$72,926 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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

For the year ended June 30,	
2020	$ 149,360
2021	132,150
2022	102,156
2023	77,784
2024	14,222
Thereafter	-

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

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	State	Non-
0	12.00%	15.00%
1	9.50%	10.00%
2	7.25%	8.00%
3	*	*
4	*	*
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 for 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%	6.70%
Private Equity	7%	10.20%
Domestic Fixed Income	23%	1.45%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.11%
Cash Equivalents	0%	0.00%

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

Discount Rate

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

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

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

Sensitivity of the Employer’s proportionate share of the net pension liability to changes in the discount rate

The following presents the 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:

	1% Decrease (5.32%)	Current Discount Rate (6.32%)	1% Increase (7.32%)
Employer's proportionate share of the net pension liability	$ 1,728,574	$ 1,272,120	$ 891,223

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued NDPERS financial report. That report may be obtained by writing to NDPERS; 400 East Broadway, Suite 505; PO Box 1657; Bismarck, ND 58502-1657.

3. North Dakota Public Employees Retirement System (OPEB)

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

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

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

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

OPEB Benefits

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

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

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

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

At June 30, 2019, the District reported a liability of $55,737 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 proportion was 0.070771 percent which was an increase of 0.014189 percent from its proportion measured as of June 30, 2017.

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

For the year ended June 30, 2019, the District recognized OPEB expense of $8,302. 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	$ 1,669	$ 1,152
Changes of assumptions	4,573	-
Net difference between projected and actual earnings on OPEB plan investments	-	1,199
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,891	-
Employer contributions subsequent to the measurement date (see below)	8,828	-
Total	$ 23,961	$ 2,351

$8,828 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020.

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

For the year ended June 30,	
2020	$ 1,882
2021	1,882
2022	2,411
2023	2,314
2024	1,917
Thereafter	494

Actuarial assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Not Applicable
Investment rate of return	7.50%, net of investment expenses
Cost-of-living adjustments	None

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

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

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

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

Discount rate

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

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

The following presents the net OPEB liability of the Plans as of June 30, 2018, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net pension liability	$ 70,521	$ 55,737	$ 43,064

NOTE 10 RISK MANAGEMENT

The Killdeer Public School District No. 16 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986 state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Killdeer Public School District No. 16 pays an annual premium to NDIRF for its general insurance coverage. The coverage by NDIRF is limited to losses of $2,000,000 per occurrence.

The District continues to carry commercial insurance for all other risks of loss, including workers' compensation, North Dakota fire and tornado fund, and employee health and accident insurance. Any settled claims from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 11 BUDGET AMENDMENTS

The board approved the following amendments to the District budget:

For the Year Ended June 30, 2019:

	EXPENDITURES AND OTHER FINANCING USES		
Fund	Original Budget	Amendment	Amended Budget
General Fund	$ 7,697,125	$ 157,082	$ 7,854,207

NOTE 12 EXPENDITURES IN EXCESS OF BUDGET

For the fiscal year ended June 30, 2019, certain individual line items were over in the general fund budget, but as a whole the expenditures were under budget. No remedial action is anticipated.

NOTE 13 INTERFUND TRANSFERS

For the fiscal year ended June 30, 2019, a fund transfer of $30,000 was made from the General Fund to the Food Service Fund to help cover the increased food service costs. A transfer of $275,000 was made from the General Fund to the Capital Projects to cover project costs.

NOTE 14 TAX ABATEMENTS

A tax abatement is defined as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to tax a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments to the citizens of those governments.

Killdeer Public School District No. 16 and political subdivisions within Dunn County can negotiate property tax abatement agreements with individuals and various commercial entities/businesses. The following type of tax abatement is in effect at June 30, 2019:

Public Charity Exemption: Public charities are eligible for property tax incentives if they meet state requirements (NDCC 57-02-08(8)) and the guidelines stated below. All buildings belonging to institutions of public charity, including public hospitals and nursing homes licensed pursuant to section 23-16-01 under the control of religious or charitable institutions, used wholly or in part for public charity, together with the land occupied by such institutions not leased or otherwise used with a view to profit. The exemption provided by this subsection includes any dormitory, dwelling, or residential-type structure, together with necessary land on which such structure is located, owned by a religious or charitable organization recognized as tax exempt under section 501(c)(3) of the United States Internal Revenue Code which is occupied by members of said organization who are subject to a religious vow of poverty and devote and donate substantially all of their time to the religious or charitable activities of the owner. Property is exempt if the qualified facility is used wholly or in part for public charity, together with the land occupied by such institutions not leased or otherwise used with a view to profit.

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

The total reduction in property tax revenue due to tax abatements for public charities is approximately $35,800. Two entities have a reduction in taxes of 20% or greater of this total and they are Hilltop Home Nursing Home for $20,700 and High Plains Community Center for $9,000.

NOTE 15 SUBSEQUENT EVENTS AND COMMITMENTS

In May 2020, voters in the school district approved a bond referendum for a $38 million junior high and high school. Funding is expected to be provided by $7.2 million assessed to taxpayers; an $8.5 million grant from Dunn County; $6.5 million in oil tax proceeds; and $15.2 million from industrial, pipelines, utilities, and other out-of-state entities. Construction of the 105,000 square foot building will begin in the spring of 2021.

New Superintendent Jeff Simmons started with the District effective July 1, 2020.

REQUIRED
SUPPLEMENTARY INFORMATION

Killdeer Public School District No. 16
Required Supplementary Information
For the Year Ended June 30, 2019

Schedule of Employer'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 (asset)	0.42402996%	0.404555446%	0.40573407%	0.414983%	0.400383%
Employer's proportionate share of the net pension liability (asset)	$ 5,651,719	$ 5,556,660	$ 5,944,242	$ 5,427,377	$ 4,195,304
Employer's covered payroll	$ 2,882,595	$ 2,730,627	$ 2,636,155	$ 2,552,580	$ 2,322,433
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	196.06%	203.49%	225.48%	212.62%	180.64%
Plan fiduciary net position as a percentage of the total pension liability	65.5%	63.2%	59.2%	62.1%	66.6%

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

Schedule of Employer Contributions
ND Teachers' Fund for Retirement
Last 10 Fiscal Years *

	2019	2018	2017	2016	2015
Statutorily required contribution	$ 390,736	$ 367,231	$ 336,110	$ 325,438	$ 249,659
Contributions in relation to the statutorily required contribution	$ (390,736)	$ (367,231)	$ (336,110)	$ (325,438)	$ (249,659)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 3,064,597	$ 2,880,249	$ 2,636,155	$ 2,552,580	$ 2,322,433
Contributions as a percentage of covered payroll	12.75%	12.75%	12.75%	12.75%	10.75%

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

Data reported is measured as of 7/1/2018, 7/1/2017, 7/1/2016, 7/1/2015 and 7/1/2014.

See independent auditor's report and notes to financial statements.

Killdeer Public School District No. 16
Required Supplementary Information
For the Year Ended June 30, 2019

Schedule of Employer'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 (asset)	0.075380%	0.059963%	0.062208%	0.077805%	0.066835%
Employer's proportionate share of the net pension liability (asset)	$ 1,272,120	$ 963,802	$ 606,278	$ 529,061	$ 424,216
Employer's covered-employee payroll	$ 774,387	$ 612,130	$ 626,915	$ 693,144	$ 562,999
Employer's proportionate share of the net pension liability (asset) 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 Employer Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years *

	2019	2018	2017	2016	2015
Statutorily required contribution	$ 57,037	$ 44,387	$ 45,387	$ 52,650	$ 40,086
Contributions in relation to the statutorily required contribution	$ 53,118	$ (44,795)	$ (52,950)	$ (51,527)	$ (40,086)
Contribution deficiency (excess)	$ 3,919	$ (408)	$ (7,563)	$ 1,123	$ -
Employer's covered-employee payroll	$ 774,387	$ 612,130	$ 626,915	$ 693,144	$ 562,999
Contributions as a percentage of covered-employee payroll	6.86%	7.32%	8.45%	7.60%	7.12%

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

Data reported is measured as of 7/1/2018, 7/1/2017, 7/1/2016, 7/1/2015 and 7/1/2014.

See independent auditor's report and notes to financial statements.

Killdeer Public School District No. 16
Required Supplementary Information
For the Year Ended June 30, 2019

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

	2019	2018
Employer's proportion of the net OPEB liability (asset)	0.070771%	0.056582%
Employer's proportionate share of the net OPEB liability (asset)	$ 55,737	$ 44,757
Employer's covered-employee payroll	$ 774,387	$ 612,130
Employer's proportionate share of the net OPEB liability (asset) 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.

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

	2019	2018
Statutorily required contribution	$ 9,083	$ 7,116
Contributions in relation to the statutorily required contribution	$ (8,505)	$ (7,172)
Contribution deficiency (excess)	$ 578	$ (56)
Employer's covered-employee payroll	$ 774,387	$ 612,130
Contributions as a percentage of covered-employee payroll	1.10%	1.17%

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

Data reported is measured as of 7/1/2018 and 7/1/2017.

See independent auditor's report and notes to financial statements.

Killdeer Public School District No. 16
Budgetary Comparison Schedule
General Fund
For the year ended June 30, 2019

	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Property Taxes	$ 1,960,715	$ 1,960,715	$ 2,284,627	$ 323,912
County Revenues	1,500,000	1,520,000	2,172,697	652,697
Flood Control through County	400,000	400,000	455,566	55,566
Tuition Charges	125,000	115,000	218,609	103,609
Community Service Activities	5,000	91,000	70,729	(20,271)
Fees and Charges	30,000	15,000	37,892	22,892
State Aid	3,406,345	3,406,345	3,000,895	(405,450)
Federal Aid	39,849	39,849	61,382	21,533
Earnings on Investments	91,000	10,000	35,001	25,001
Miscellaneous	2,000	2,000	30,426	28,426
TOTAL REVENUES	7,559,909	7,559,909	8,367,824	807,915
EXPENDITURES				
Current:				
Regular Education Programs	4,003,728	3,877,385	3,870,613	6,772
Title II	33,426	33,426	45,788	(12,362)
Other Federal Programs	-	-	303	(303)
Improvement of Instruction Service	74,884	74,884	53,857	21,027
Instructional Media Service	146,132	146,132	140,646	5,486
School Board	106,000	106,000	82,515	23,485
Executive Administration	215,872	215,872	211,897	3,975
Supportive Service - Business	366,346	366,346	310,921	55,425
Operation & Maintenance	824,735	824,735	758,822	65,913
Student Activities	390,952	405,952	450,401	(44,449)
Student Transportation	546,820	650,797	697,650	(46,853)
Vocational Education	156,777	146,777	165,024	(18,247)
Special Education	613,635	770,748	749,747	21,001
Adult Education/Community Services	217,818	235,153	224,994	10,159
TOTAL EXPENDITURES	7,697,125	7,854,207	7,763,178	91,029
Excess (Deficiency) of Revenues Over (Under) Expenditures	(137,216)	(294,298)	604,646	898,944
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	-	-	(305,000)	(305,000)
Total Other Financing Sources (Uses)	-	-	(305,000)	(305,000)
NET CHANGE IN FUND BALANCES	(137,216)	(294,298)	299,646	593,944
Fund Balances - July 1, 2018	2,386,523	2,386,523	2,386,523	-
FUND BALANCES - JUNE 30, 2019	$ 2,249,307	$ 2,092,225	$ 2,686,169	$ 593,944

The accompanying notes are an integral part of this statement.

NOTE 1 CHANGES OF ASSUMPTIONS – ND TEACHERS' FUND FOR RETIREMENT

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

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

NOTE 2 CHANGES OF ASSUMPTIONS – ND PUBLIC EMPLOYEES RETIREMENT SYSTEM MAIN AND OPEB

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

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The District adopts an annual budget consistent with accounting principles generally accepted in the United States for the general fund only. The following procedures are used in establishing the budgetary data reflected in the financial statements:

- The annual budget must be prepared and school district taxes must be levied on or before August 15 each year.

- The taxes levied must be certified to the county auditor by October 10.

- The operating budget includes proposed expenditures and means of financing them.

- Each budget is controlled by the business manager at the revenue and expenditure function/object level.

- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.

- The balance of each appropriation becomes a part of the unappropriated fund balance at year-end.

HAGA KOMMER
CERTIFIED PUBLIC ACCOUNTANTS

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

Governing Board
Killdeer Public School District No. 16
Killdeer, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Killdeer Public School District No. 16 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 and have issued our report thereon dated March 10, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Killdeer Public School District No. 16'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 Killdeer Public School District No. 16's internal control. Accordingly, we do not express an opinion on the effectiveness of Killdeer Public School District No. 16's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider deficiency 2019-003 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider deficiencies 2019-001 and 2019-002 described in the accompanying schedule of findings to be significant deficiencies.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Killdeer Public School District No. 16'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*.

Killdeer Public School District No. 16's Response to Findings

Killdeer Public School District No. 16's responses to the findings identified in our audit are described in the accompanying schedule of findings. Killdeer Public School District No. 16's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Haga Kommer, Ltd

Haga Kommer, Ltd.
Mandan, North Dakota
March 10, 2021

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
Schedule of Findings
For the Year Ended June 30, 2019

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Section II – Financial Statement Audit

Significant Deficiencies

Finding 2019-001: Segregation of Duties

Condition – The District has a lack of segregation of duties in certain areas due to limited staff.

Criteria – A good system of internal control contemplates an adequate segregation of duties so that no one individual handles or has access to a transaction from its inception to its completion.

Cause – There is a limited number of staff members available for these duties.

Effect – Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely manner by employees in the normal course of performing their assigned functions.

Recommendation – The most effective controls lie in the board's knowledge of matters relating to the organization's operations. Board members should periodically review documentation supporting individual transactions.

Management Response – We are aware of the condition and have implemented controls such as reviews and approvals where feasible.

<u>Finding 2019-002: Preparation of the Financial Statements</u>

Condition – The financial statements and related notes are prepared by the District's auditors.

Criteria – Management is responsible for the preparation and fair presentation of the financial statements in conformity with generally accepted accounting principles.

Cause – Limited time and resources of the District to prepare the financial statements in the format required by generally accepted accounting principles including compliance with GASB 34.

Effect – An increased risk of material misstatement in the District's financial statements.

Recommendation – The board should review the audited financial statements for accuracy and accept responsibility for the preparation and fair presentation of the GAAP financial statements even if the auditor assisted in drafting the financial statements and notes.

Management Response – The District is aware that someone needs to review the audit report each year to make sure the financial statements and note disclosures are a fair presentation for the District.

Material Weaknesses

<u>Finding 2019-003: Journal Entries</u>

Condition – Journal entries to adjust capital assets and GASB Statement No. 68 and No. 75 pension and OPEB amounts were required during the audit.

Criteria – The entity is required to establish internal controls and procedures which allow it to determine that the general ledger accounts are properly reflected according to generally accepted accounting policies.

Cause – Staff did not maintain a record of capital asset acquisitions and the adjustments for GASB Statement No. 68 relating to pensions requires a significant amount of time and research.

Effect – The amount of journal entries made has a material effect on the financial statements.

Recommendation – Management should make sure that all financial transactions are recorded throughout the year.

Management Response – Efforts will be made to ensure all activities are properly recorded.