



Financial Statements  
June 30, 2019 and 2018

# Northern Cass Public School District

Northern Cass Public School District

Table of Contents

June 30, 2019 and 2018

---

School District Officials .....	1
Independent Auditor’s Report.....	2
Financial Statements	
Statements of Net Position – Modified Cash Basis.....	5
Statements of Activities – Modified Cash Basis .....	7
Balance Sheet – Governmental Funds – Modified Cash Basis .....	9
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position – Modified Cash Basis .....	11
Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Modified Cash Basis .....	13
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities – Modified Cash Basis .....	15
Statement of Fiduciary Assets and Liabilities – Agency Fund – Modified Cash Basis .....	17
Notes to Financial Statements .....	18
Supplementary Information	
Budgetary Comparison Schedule – General Fund .....	44
Schedule of Employer’s Share of Net Pension Liability.....	46
Schedule of Employer Contributions .....	47
Schedule of Employer’s Share of Net OPEB Liability and Schedule of Employer Contributions - ND Public Employees Retirement System.....	48
Notes to Supplementary Information .....	49
Additional Reports	
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 <i>Government Auditing Standards</i> .....	50
Schedule of Findings .....	52

**2019**

Susie Carlson	Board President
Brad Bjerke	Board Member
Joel Degerness	Board Member
Sean Jalbert	Board Member
Penny Johnson	Board Member
Lance Nelson	Board Member
Lori Steffes	Board Member
Dr. Cory Steiner	Superintendent
Julie Keckler	Business Manager

**2018**

Susie Carlson	Board President
Brad Bjerke	Board Member
Joel Degerness	Board Member
Sean Jalbert	Board Member
Bart Marvel	Board Member
Lance Nelson	Board Member
Lori Steffes	Board Member
Dr. Cory Steiner	Superintendent
Julie Keckler	Business Manager



## Independent Auditor's Report

To the School Board  
Northern Cass Public School District  
Hunter, North Dakota

### Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Northern Cass Public School District as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the School 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 the modified cash basis of accounting described in Note 1 to the financial statements; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund and the aggregate remaining fund information of Northern Cass Public School District as of June 30, 2019 and 2018, and the respective changes in financial position - modified cash basis thereof for the years then ended in accordance with the basis of accounting described in Note 1 to the financial statements.

### **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to that matter.

### **Restatement of Prior Year Financial Statements**

The financial statements of Northern Cass Public School District as of and for the year ended June 30, 2017, were audited by other auditors, whose report dated December 5, 2017 expressed an unmodified opinion on those statements prepared on the modified cash basis of accounting. As discussed in Note 7 to the financial statements, certain errors resulting in misstatements of amounts previously reported for cash and capital assets occurred in the financial statements for the year ended June 30, 2017, were discovered by management of Northern Cass Public School District during the current year. Accordingly, amounts reported for cash, capital assets, governmental activities net position, and General Fund fund balance have been restated as of July 1, 2017 to correct these errors. The other auditors reported on the financial statements as of and for the year ended June 30, 2017 before the restatement.

As part of our audit of the financial statements as of and for the year ended June 30, 2018, we also audited the adjustments described in Note 7 that were applied to restate the financial statements as of and for the year ended June 30, 2017. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the financial statements as of and for the year ended June 30, 2017 of Northern Cass Public School District other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the financial statements as of and for the year ended June 30, 2017 as a whole.

### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Northern Cass Public School District's financial statements. The School District Officials, Budgetary Comparison Schedule – General Fund, Schedule of Employer's Share of Net Pension Liability, Schedule of Employer Contributions, and Schedule of Employer's Share of Net OPEB Liability and Schedule of Employer Contributions – ND Public Employees Retirement System are presented for purposes of additional analysis and are not a required part of the financial statements.

The Budgetary Comparison Schedule – General Fund, Schedule of Employer’s Share of Net Pension Liability, Schedule of Employer Contributions, and Schedule of Employer’s Share of Net OPEB Liability and Schedule of Employer Contributions – ND Public Employees Retirement System are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule – General Fund, Schedule of Employer’s Share of Net Pension Liability, Schedule of Employer Contributions, and Schedule of Employer’s Share of Net OPEB Liability and Schedule of Employer Contributions – ND Public Employees Retirement System are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The School District Officials listing has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report January 18, 2022, on our consideration of Northern Cass Public School District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the School District’s 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 the School District’s internal control over financial reporting and compliance.



Fargo, North Dakota  
January 18, 2022

Northern Cass Public School District  
Statement of Net Position – Modified Cash Basis  
June 30, 2019

---

	Governmental Activities
Assets	
Current Assets	
Cash and investments	\$ 2,227,278
Noncurrent Assets	
Capital assets, not being depreciated	
Land	80,000
Capital assets, net of accumulated depreciation	
Buildings	9,683,387
Equipment	354,182
Vehicles	279,376
Total noncurrent assets	10,396,945
Total assets	12,624,223
Liabilities	
Long-term Liabilities	
Due within one year - bonds payable	301,934
Due in more than one year - bonds payable	2,321,686
Total liabilities	2,623,620
Net Position	
Net investment in capital assets	7,773,325
Restricted	429,917
Unrestricted	1,797,361
Total net position	\$ 10,000,603

Northern Cass Public School District  
Statement of Net Position – Modified Cash Basis  
June 30, 2018

---

	Governmental Activities
Assets	
Current Assets	
Cash and investments	\$ 2,094,287
Noncurrent Assets	
Capital assets, not being depreciated	
Land	80,000
Capital assets, net of accumulated depreciation	
Buildings	9,938,223
Equipment	331,935
Vehicles	279,376
Total noncurrent assets	10,629,534
Total assets	12,723,821
Liabilities	
Long-term Liabilities	
Due within one year - bonds payable	289,678
Due in more than one year - bonds payable	2,623,621
Total liabilities	2,913,299
Net Position	
Net investment in capital assets	7,716,235
Restricted	452,307
Unrestricted	1,641,980
Total net position	\$ 9,810,522



Northern Cass Public School District  
Statement of Activities – Modified Cash Basis  
Year Ended June 30, 2019

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction	\$ 4,977,349	\$ 13,871	\$ 227,961	\$ -	\$ (4,735,517)
<b>Support Services</b>					
Student	212,278	-	-	-	(212,278)
Instructional	350,295	-	-	-	(350,295)
Administration services	762,639	-	-	-	(762,639)
Operations and maintenance	655,360	-	-	-	(655,360)
Transportation services	599,806	-	317,120	-	(282,686)
Preschool	29,116	-	-	-	(29,116)
Extracurriculars	325,751	89,913	-	-	(235,838)
Food services	375,548	237,922	68,482	-	(69,144)
Debt service	81,621	-	-	-	(81,621)
	<u>\$ 8,369,763</u>	<u>\$ 341,706</u>	<u>\$ 613,563</u>	<u>\$ -</u>	<u>(7,414,494)</u>
<b>General Revenues</b>					
Property taxes, levied for general purposes					2,135,304
Property taxes, levied for debt service					159,752
State aid not restricted for a specific purpose					5,256,809
Investment income					22,894
Miscellaneous					29,816
					<u>7,604,575</u>
					Changes in Net Position 190,081
					Net Position, Beginning of Year <u>9,810,522</u>
					Net Position, End of Year <u>\$ 10,000,603</u>

Northern Cass Public School District  
Statement of Activities – Modified Cash Basis  
Year Ended June 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction	\$ 4,845,332	\$ 10,372	\$ 192,051	\$ -	\$ (4,642,909)
Support Services					
Student	225,248	-	-	-	(225,248)
Instructional	366,531	-	-	-	(366,531)
Administration services	653,571	-	-	-	(653,571)
Operations and maintenance	852,408	-	-	-	(852,408)
Transportation services	472,924	-	311,817	-	(161,107)
Preschool	79,024	-	-	-	(79,024)
Extracurriculars	309,582	87,544	-	-	(222,038)
Food services	353,409	229,072	75,960	-	(48,377)
Debt service	91,826	-	-	-	(91,826)
	<u>\$ 8,249,855</u>	<u>\$ 326,988</u>	<u>\$ 579,828</u>	<u>\$ -</u>	<u>(7,343,039)</u>
General Revenues					
Property taxes, levied for general purposes					2,067,461
Property taxes, levied for debt service					180,065
State aid not restricted for a specific purpose					4,955,741
Investment income					11,591
Miscellaneous					65,619
					<u>7,280,477</u>
					Changes in Net Position (62,562)
					Net Position, Beginning of Year, as Restated (Note 7) 9,873,084
					Net Position, End of Year \$ 9,810,522

Northern Cass Public School District  
 Balance Sheet – Governmental Funds – Modified Cash Basis  
 June 30, 2019

	General	Food Service	Special Reserve	Building	Debt Service	Total Governmental Funds
<b>Assets</b>						
Cash and investments	\$ 1,737,625	\$ 59,736	\$ 236,593	\$ 90,685	\$ 102,639	\$ 2,227,278
<b>Liabilities and Fund Balances</b>						
Fund balances						
Restricted for:						
Special Reserve	\$ -	\$ -	\$ 236,593	\$ -	\$ -	\$ 236,593
Capital Projects	-	-	-	90,685	-	90,685
Debt Service	-	-	-	-	102,639	102,639
Assigned for Food Service	-	59,736	-	-	-	59,736
Unassigned	1,737,625	-	-	-	-	1,737,625
Total fund balances	\$ 1,737,625	\$ 59,736	\$ 236,593	\$ 90,685	\$ 102,639	\$ 2,227,278

Northern Cass Public School District  
Balance Sheet – Governmental Funds – Modified Cash Basis  
June 30, 2018

	General	Food Service	Special Reserve	Building	Debt Service	Total Governmental Funds
<b>Assets</b>						
Cash and investments	\$ 1,571,814	\$ 70,166	\$ 287,683	\$ 66,617	\$ 98,007	\$ 2,094,287
<b>Liabilities and Fund Balances</b>						
Fund balances						
Restricted for:						
Special Reserve	\$ -	\$ -	\$ 287,683	\$ -	\$ -	\$ 287,683
Capital Projects	-	-	-	66,617	-	66,617
Debt Service	-	-	-	-	98,007	98,007
Assigned for Food Service	-	70,166	-	-	-	70,166
Unassigned	1,571,814	-	-	-	-	1,571,814
Total fund balances	\$ 1,571,814	\$ 70,166	\$ 287,683	\$ 66,617	\$ 98,007	\$ 2,094,287

Northern Cass Public School District

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position – Modified Cash Basis

June 30, 2019

Total Governmental Fund Balances		\$ 2,227,278
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the statement of net position.		
Those assets consist of:		
Cost of capital assets	\$ 16,332,577	
Less accumulated depreciation	<u>(5,935,632)</u>	
		10,396,945
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, therefore, are not reported in the funds. All liabilities, both current and long-term, are reported in the statement of net position.		
Bonds payable		<u>(2,623,620)</u>
Net position of governmental activities		<u><u>\$ 10,000,603</u></u>

Northern Cass Public School District

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position – Modified Cash Basis

June 30, 2018

Total Governmental Fund Balances		\$ 2,094,287
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the statement of net position.		
Those assets consist of:		
Cost of capital assets	\$ 16,162,816	
Less accumulated depreciation	<u>(5,533,282)</u>	
		10,629,534
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, therefore, are not reported in the funds. All liabilities, both current and long-term, are reported in the statement of net position.		
Bonds payable		<u>(2,913,299)</u>
Net position of governmental activities		<u><u>\$ 9,810,522</u></u>

Northern Cass Public School District  
Statement of Revenues, Expenditures and Changes in Fund Balances –  
Governmental Funds – Modified Cash Basis  
Year Ended June 30, 2019

	General	Food Service	Special Reserve	Building	Debt Service	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 1,850,769	\$ -	\$ 66,210	\$ 218,325	\$ 159,752	\$ 2,295,056
Other local sources	128,953	238,636	-	33,000	314	400,903
State sources	5,610,965	3,486	-	-	-	5,614,451
Federal sources	184,438	64,996	-	-	-	249,434
<b>Total revenues</b>	<b>7,775,125</b>	<b>307,118</b>	<b>66,210</b>	<b>251,325</b>	<b>160,066</b>	<b>8,559,844</b>
<b>Expenditures</b>						
<b>Current</b>						
Instruction	4,633,134	-	-	-	-	4,633,134
Support services						
Student	212,278	-	-	-	-	212,278
Instructional	350,295	-	-	-	-	350,295
Administration services	649,523	-	-	-	-	649,523
Operations and maintenance	648,710	-	-	-	-	648,710
Transportation services	599,807	-	-	-	-	599,807
Preschool	29,116	-	-	-	-	29,116
Extracurriculars	325,751	-	-	-	-	325,751
Food services	58,000	317,548	-	-	-	375,548
Debt service	-	-	-	215,866	155,434	371,300
Capital outlay	-	-	-	231,391	-	231,391
<b>Total expenditures</b>	<b>7,506,614</b>	<b>317,548</b>	<b>-</b>	<b>447,257</b>	<b>155,434</b>	<b>8,426,853</b>
Excess (deficiency) of revenues over (under) expenditures	268,511	(10,430)	66,210	(195,932)	4,632	132,991
<b>Other Financing Sources (Uses)</b>						
Transfers in	117,300	-	-	220,000	-	337,300
Transfers out	(220,000)	-	(117,300)	-	-	(337,300)
<b>Total other financing sources (uses)</b>	<b>(102,700)</b>	<b>-</b>	<b>(117,300)</b>	<b>220,000</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>165,811</b>	<b>(10,430)</b>	<b>(51,090)</b>	<b>24,068</b>	<b>4,632</b>	<b>132,991</b>
Fund Balance, Beginning of Year	1,571,814	70,166	287,683	66,617	98,007	2,094,287
Fund Balance, End of Year	<u>\$ 1,737,625</u>	<u>\$ 59,736</u>	<u>\$ 236,593</u>	<u>\$ 90,685</u>	<u>\$ 102,639</u>	<u>\$ 2,227,278</u>

Northern Cass Public School District  
Statement of Revenues, Expenditures and Changes in Fund Balances –  
Governmental Funds – Modified Cash Basis  
Year Ended June 30, 2018

	General	Food Service	Special Reserve	Building	Debt Service	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 1,801,950	\$ -	\$ 64,318	\$ 201,193	\$ 180,065	\$ 2,247,526
Other local sources	107,718	229,477	-	-	862	338,057
State sources	5,345,308	3,428	-	-	-	5,348,736
Federal sources	180,442	72,532	-	-	-	252,974
Total revenues	<u>7,435,418</u>	<u>305,437</u>	<u>64,318</u>	<u>201,193</u>	<u>180,927</u>	<u>8,187,293</u>
<b>Expenditures</b>						
<b>Current</b>						
Instruction	4,263,461	-	-	-	-	4,263,461
Support services						
Student	225,248	-	-	-	-	225,248
Instructional	366,531	-	-	-	-	366,531
Administration services	777,270	-	-	-	-	777,270
Operations and maintenance	782,814	-	-	-	-	782,814
Transportation services	472,924	-	-	-	-	472,924
Preschool	79,024	-	-	-	-	79,024
Extracurriculars	309,582	-	-	-	-	309,582
Food services	58,000	295,409	-	-	-	353,409
Debt service	-	-	-	217,460	305,190	522,650
Capital outlay	-	-	-	169,739	-	169,739
Total expenditures	<u>7,334,854</u>	<u>295,409</u>	<u>-</u>	<u>387,199</u>	<u>305,190</u>	<u>8,322,652</u>
Excess (deficiency) of revenues over (under) expenditures	100,564	10,028	64,318	(186,006)	(124,263)	(135,359)
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	-	220,000	-	220,000
Transfers out	(220,000)	-	-	-	-	(220,000)
Total other financing sources (uses)	<u>(220,000)</u>	<u>-</u>	<u>-</u>	<u>220,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(119,436)	10,028	64,318	33,994	(124,263)	(135,359)
Fund Balance, Beginning of Year, as Restated (Note 7)	<u>1,691,250</u>	<u>60,138</u>	<u>223,365</u>	<u>32,623</u>	<u>222,270</u>	<u>2,229,646</u>
Fund Balance, End of Year	<u>\$ 1,571,814</u>	<u>\$ 70,166</u>	<u>\$ 287,683</u>	<u>\$ 66,617</u>	<u>\$ 98,007</u>	<u>\$ 2,094,287</u>



Northern Cass Public School District

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

---

Net Change in Fund Balances - Total Governmental Funds	\$ 132,991
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. In the current period, these amounts are:	
Capital outlay	\$ 224,741
Depreciation expense	<u>(457,330)</u>
	(232,589)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. In the current period these amounts are:	
Principal retirement	<u>289,679</u>
Change in net position of governmental activities	<u><u>\$ 190,081</u></u>

Northern Cass Public School District

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances  
to the Statement of Activities – Modified Cash Basis  
Year Ended June 30, 2018

---

Net Change in Fund Balances - Total Governmental Funds \$ (135,359)

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. In the current period, these amounts are:

Capital outlay	\$ 100,145	
Depreciation expense	<u>(458,172)</u>	(358,027)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. In the current period these amounts are:

Principal retirement	<u>430,824</u>
----------------------	----------------

Change in net position of governmental activities	<u><u>\$ (62,562)</u></u>
---	---------------------------

Northern Cass Public School District  
Statement of Fiduciary Assets and Liabilities – Agency Fund – Modified Cash Basis  
June 30, 2019 and 2018

---

	<u>2019</u>	<u>2018</u>
Assets		
Cash and investments	<u>\$ 333,337</u>	<u>\$ 312,301</u>
Liabilities		
Due to student activity groups	<u>\$ 333,337</u>	<u>\$ 312,301</u>

## **Note 1 - Summary of Significant Accounting Policies**

### **Organization**

Northern Cass Public School District (the District) was formed and operates pursuant to the applicable North Dakota laws and statutes. The District is governed by a School Board elected by voters of the District. The financial statements of the District have been prepared on the modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

### **Reporting Entity**

The accompanying financial statements include all funds, departments, agencies, boards, commissions, and other organizations that comprise the District, along with any component units.

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial burden or benefit with the potential component unit, or is fiscally depended upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the District.

### **Government-Wide Statements**

The statement of net position and statement of activities display information about the District as a whole. These statements include all the financial activities of the District, except for fiduciary activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. The effect of interfund activity has been eliminated from the government-wide financial statements.

The statement of net position reports all financial and capital resources, in a net position form (assets minus liabilities equal net position). Net position is displayed in three components, as applicable, net investment in capital assets, restricted (distinguished between major categories of restrictions), and unrestricted.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported as general revenues.

## Fund Financial Statements

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

## Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred. This basis differs from accounting principles generally accepted in the United States of America because accounts receivable, accounts payable, and accrued expenses are not included in the financial statements. Only capital assets and long-term debt are recorded under the basis of accounting described above and are included on the statement of net position. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified cash basis of accounting. Under this method, revenues are recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred.

## Description of Funds

The District reports the following major governmental funds:

General Fund – The general fund is the general operating fund of the District. All general revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund.

Food Service Fund – The food service fund is used to account for the activities of the hot lunch program.

Special Reserve Fund – This fund is used to account for the accumulation of resources from the special reserve levy. The special reserve is designed to provide cash flow to the District when general fund reserves are spent. This traditionally happens at the end of December, before the next year taxes are collected. If the special reserve is not needed for cash flow, there is a provision in the law that allows the School Board to transfer up to half of the balance to the general fund to be used for any allowable purpose. In accordance with NDCC 57-19-01, the ending fund balance is limited to the amount generated by fifteen (15) mills times the taxable valuation of the District.

Building Fund – The building fund is used to account for building construction and repairs.

Debt Service Fund – The debt service fund is used to account for the financial resources to be used for payment of long-term debt principal, interest, and related costs.

In addition, the District reports the following fiduciary fund:

The Fiduciary Fund accounts for assets held by the District in a trustee capacity or as an agent on behalf of others.

Agency Fund – Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operations of the District.

### **Budgets**

The District budget is prepared on the modified cash basis of accounting and the District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent and Business Manager prepare the District budget under the cash basis of accounting. The budget includes proposed expenditures and the means of financing them. The budget includes the general fund.
2. The School Board reviews the budget, may make revisions and approves it on or before August 15. The budget must be filed with the County Auditor by August 25.
3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared except no amendment changing the taxes levied can be made after October 10.

For budgetary purposes, appropriations lapse at fiscal year-end.

For the years ended June 30, 2019 and 2018, the District overspent the amount budgeted in the General Fund by \$86,429 and \$39,291, respectively. No remedial action is required.

### **Program Revenues**

In the government-wide statement of activities, reported program revenues derive directly from the program itself or from parties other than the District's taxpayers or citizenry, as a whole. Program revenues are classified into two categories, as follows:

1. Charges for services – these arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – these arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.

### Cash and Investments

The District's cash consists of cash on hand or demand deposits. These amounts must be deposited in a financial institution situated and doing business within North Dakota.

The District's investments consist of certificates of deposits with maturity of 12 months or less and valued at cost.

### Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined as having an individual cost of \$5,000 or more and have a useful life in excess of one year. Capital assets are stated at cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Depreciation is computed using the straight-line method over the following estimated useful lives:

Permanent Buildings	50 years
Temporary or Wood Structures	20 years
Equipment	10 years
Vehicles	10 years

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized and instead are a period expense. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The District reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment there was no impairment as of June 30, 2019 and 2018.

### Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds.

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

### **Pensions**

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

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

The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense are not reported under the modified cash basis of accounting, but the information disclosed in the pension footnote, Note 5, is shown as additional information to the users of the financial statements.



**Postemployment Benefits Other than Pensions (OPEB)**

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

The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense are not reported under the modified cash basis of accounting, but the information disclosed in the pension footnote, Note 6, is shown as additional information to the users of the financial statements.

**Net Position**

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

**Fund Balance**

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called “fund balance.” The District’s governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

*Nonspendable Fund Balance* – comprised of funds that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. They include items that are inherently unspendable, such as, but not limited to, inventories, prepaid items, long-term receivables, non-financial assets held for resale, or the permanent principal of endowment funds.

*Restricted Fund Balance* – comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

*Committed Fund Balance* – comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the school board, the District’s highest level of decision-making authority, and that remain binding unless removed by the school board by subsequent formal action. The formal action to commit a fund balance must occur prior to fiscal year end; however, the specific amounts actually committed can be determined in the subsequent fiscal year. A committed fund balance cannot be a negative number.

*Assigned Fund Balance* – comprised of unrestricted funds constrained by the school district’s intent that they be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. The school board and the superintendent have the authority to assign amounts to be used for specific purposes. In funds other than the general fund, the assigned fund balance represents the remaining amount that is not restricted or committed. The assigned fund balance category will cover the portion of a fund balance that reflects the school district’s intended use of those resources. The action to assign fund balance may be taken after the end of the fiscal year. An assigned fund balance cannot be a negative number.

*Unassigned Fund Balance* – residual amounts in the general fund not reported in any other classification. Unassigned amounts in the general fund are technically available for expenditure for any purpose. The general fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

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.

The District has not adopted a minimum fund balance policy.

## Note 2 - Cash and Investments

### Deposits

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

The following is considered the most significant risk associated with deposits.

*Custodial Credit Risk* – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may be lost.

Deposits must either be deposited with the Bank of North Dakota or in another financial institution 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 of bonds.

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

The bank balance of the pooled District deposits and fiduciary funds at June 30, 2019 and 2018, was \$2,772,014 and \$2,729,357, respectively. At June 30, 2019, the carrying amount of the deposits was \$2,560,615, which consisted of District deposits of \$2,227,278, and agency fund deposits of \$333,337. At June 30, 2018, the carrying amount of the deposits was \$2,406,588, which consisted of District deposits of \$2,094,287, and agency fund deposits of \$312,301. Of the bank balances, \$750,000 was covered by Federal Depository Insurance. The remaining balance at June 30, 2019 and 2018, of \$2,222,014 and \$1,979,357, respectively, was collateralized with securities held by the pledging financial institutions' agents in the government's name.

**Note 3 - Capital Assets**

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

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<b>Governmental Activities</b>				
Capital assets, not being depreciated				
Land	\$ 80,000	\$ -	\$ -	\$ 80,000
Capital assets, being depreciated				
Buildings	14,117,260	61,791	-	14,179,051
Equipment	800,951	20,900	5,600	816,251
Vehicles	1,164,605	142,050	49,380	1,257,275
Total capital assets, being depreciated	<u>16,082,816</u>	<u>224,741</u>	<u>54,980</u>	<u>16,252,577</u>
Accumulated depreciation				
Buildings	4,179,037	316,627	-	4,495,664
Equipment	469,016	47,011	5,600	510,427
Vehicles	885,229	93,692	49,380	929,541
Total accumulated depreciation	<u>5,533,282</u>	<u>457,330</u>	<u>54,980</u>	<u>5,935,632</u>
Governmental activities capital assets, net	<u>\$ 10,629,534</u>	<u>\$ (232,589)</u>	<u>\$ -</u>	<u>\$ 10,396,945</u>

Depreciation expense for the year ended June 30, 2019 was charged to functions/programs of the District as follows:

Governmental Activities	
Operation and maintenance	\$ 363,638
Transportation services	<u>93,692</u>
Total depreciation expense - governmental activities	<u>\$ 457,330</u>

Northern Cass Public School District

Notes to Financial Statements

June 30, 2019 and 2018

The following is a summary of changes in capital assets for the year ended June 30, 2018:

	Balance July 1, 2017, as Restated	Additions	Deletions	Balance June 30, 2018
<b>Governmental Activities</b>				
Capital assets, not being depreciated				
Land	\$ 80,000	\$ -	\$ -	\$ 80,000
Capital assets, being depreciated				
Buildings	14,017,115	100,145	-	14,117,260
Equipment	800,951	-	-	800,951
Vehicles	1,164,605	-	-	1,164,605
Total capital assets, being depreciated	<u>15,982,671</u>	<u>100,145</u>	<u>-</u>	<u>16,082,816</u>
Accumulated depreciation				
Buildings	3,866,876	312,161	-	4,179,037
Equipment	422,950	46,066	-	469,016
Vehicles	785,284	99,945	-	885,229
Total accumulated depreciation	<u>5,075,110</u>	<u>458,172</u>	<u>-</u>	<u>5,533,282</u>
Governmental activities capital assets, net	<u>\$ 10,987,561</u>	<u>\$ (358,027)</u>	<u>\$ -</u>	<u>\$ 10,629,534</u>

Depreciation expense for the year ended June 30, 2018 was charged to functions/programs of the District as follows:

<b>Governmental Activities</b>	
Operation and maintenance	\$ 358,227
Transportation services	<u>99,945</u>
Total depreciation expense - governmental activities	<u>\$ 458,172</u>

**Note 4 - Long-Term Debt**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable	\$ 2,913,299	\$ -	\$ 289,679	\$ 2,623,620	\$ 301,934

The following is a summary of changes in long-term debt of the District for the year ended June 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable	\$ 3,344,123	\$ -	\$ 430,824	\$ 2,913,299	\$ 289,678

Details of the outstanding debt as of June 30, 2019 and 2018 is as follows:

Bond Description	Final	Interest Rate	Original	Outstanding Balance	
				2019	2018
G.O. School Building Bonds, Series 2013A	8/1/2033	1.30%-3.00%	\$ 750,000	\$ 540,000	\$ 575,000
G.O. Refunding Bonds, Series 2013B	6/1/2033	1.75%	1,765,000	1,288,620	1,368,299
Lease Revenue Bonds of 2008	5/1/2023	3.85% - 4.30%	2,400,000	795,000	970,000
				<u>\$ 2,623,620</u>	<u>\$ 2,913,299</u>

Bonds payable consists of various bond instruments issued by the District to finance operations and construction of new facilities. These expenditures are paid out of the Building and Debt Service funds.

The annual requirements to amortize all long-term debt outstanding as of June 30, 2019, are as follows:

Years Ending June 30,	Bonds Payable	
	Principal	Interest
2020	\$ 301,934	\$ 71,070
2021	313,368	60,911
2022	329,827	50,297
2023	336,312	39,118
2024	127,822	27,697
2025-2029	672,709	99,619
2030-2034	541,648	26,210
	<u>\$ 2,623,620</u>	<u>\$ 374,922</u>

**Note 5 - Pension Plans****North Dakota Public Employees Retirement System (Main System)**

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

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

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

**Pension Benefits**

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

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

**Death and Disability Benefits**

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

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

### **Refunds of Member Account Balance**

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

### **Member and Employer Contributions**

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

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

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

### **Net Pension Liability**

At June 30, 2019 and 2018, the District's proportionate share of the net pension liability was \$1,097,064 and \$882,745, respectively. The net pension liability was measured as of July 1, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At July 1, 2018, the District's proportion was 0.065007 percent, which was an increase of 0.010087 from its proportion measured as of July 1, 2017. At July 1, 2017, the District's proportion was 0.054920 percent, which was an increase of 0.010087 from its proportion measured as of July 1, 2016. Deferred outflows of resources related to the pension plan as of June 30, 2019 and 2018 were \$533,923 and \$439,570, respectively. Deferred inflows of resources related to the pension plan as of June 30, 2019 and 2018 were \$104,580 and \$83,980, respectively.

The District's proportionate share of the net pension liability and deferred outflows of resources and deferred inflows of resources related to pensions are not reported in financial statements shown under the modified cash basis of accounting.



**Actuarial Assumptions**

The total pension liability in the July 1, 2018 and 2017, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	July 1, 2018	July 1, 2017
Inflation Rate	2.50%	3.50%
Salary increases	5.25% to 15%, depending on age and years of service	5% to 15%, depending on age and years of service
Investment Rate of Return	7.75% net of investment expenses	7.75% net of investment expenses
Cost of living adjustments	None	None

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

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

Asset Class	July 1, 2018		July 1, 2017	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.05%	31%	6.05%
International Equity	21%	6.71%	21%	6.70%
Private Equity	7%	10.20%	5%	10.20%
Domestic Fixed Income	23%	1.45%	17%	1.43%
International Fixed Income	0%	0.00%	5%	-0.45%
Global Real Assets	19%	5.11%	20%	5.16%
Cash Equivalents	0%	0.00%	1%	0.00%

### Discount Rate

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

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

For the purpose of this valuation at July 1, 2018, 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%. For the purpose of this valuation at July 1, 2017, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.56%; and the resulting Single Discount Rate is 6.44%.

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

The following presents the District's proportionate share of the net pension liability as of July 1, 2018, calculated using the discount rate of 6.32 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.32 percent) or 1-percentage-point higher (7.32 percent) than the current rate:

	<u>1% Decrease in Discount Rate (5.32%)</u>	<u>Discount Rate (6.32%)</u>	<u>1% Increase in Discount Rate (7.32%)</u>
District's proportionate share of the net pension liability	\$ 1,490,706	\$ 1,097,064	\$ 768,582

The following presents the District's proportionate share of the net pension liability as of July 1, 2017, calculated using the discount rate of 6.44 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 (5.44 percent) or 1-percentage-point higher (7.44 percent) than the current rate:

	<u>1% Decrease in Discount Rate (5.44%)</u>	<u>Discount Rate (6.44%)</u>	<u>1% Increase in Discount Rate (7.44%)</u>
District's proportionate share of the net pension liability	\$ 1,198,353	\$ 882,745	\$ 620,172

### **Pension Plan Fiduciary Net Position**

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

### **North Dakota Teachers' Fund for Retirement**

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

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

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

### **Pension Benefits**

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

**Tier 1 Grandfathered**

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

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

**Tier 1 Non-Grandfathered**

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

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

**Tier 2**

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

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

**Death and Disability Benefits**

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

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

**Member and Employer Contributions**

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

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

**Net Pension Liability**

At June 30, 2019 and 2018, the District's proportionate share of the net pension liability was \$6,291,009 and \$6,477,682, respectively. The net pension liability was measured as of June 30, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. 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 June 30, 2018, the District's proportion was 0.00038407 percent, which was an increase of .002704 percent from its proportion measured as of June 30, 2017. At June 30, 2017, the District's proportion was 0.47160979 percent, which was an increase of 0.0429958 percent from its proportion measured as of June 30, 2016. Deferred outflows of resources related to the pension plan as of June 30, 2019 and 2018 were \$1,287,549 and \$1,584,963, respectively. Deferred inflows of resources related to the pension plan as of June 30, 2019 and 2018 were \$192,848 and \$70,713, respectively.

The District's proportionate share of the net pension liability and deferred outflows of resources and deferred inflows of resources related to pensions are not reported in financial statements shown under the modified cash basis of accounting.

### Actuarial Assumptions

The total pension liability in the July 1, 2018 and 2017 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used were based on the results of an actuarial experience study dated April 30, 2015. They are the same as the assumptions used in the July 1, 2018 and 2017, funding actuarial valuations for TFFR.

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

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

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, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58%	6.70%
Global Fixed Income	23%	0.80%
Global Real Assets	18%	5.20%
Cash Equivalents	1%	0.00%

### Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2018 and 2017. 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 and 2017, 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 and 2017. 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 and 2017.

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate as of June 30, 2018:

	1% Decrease in Discount Rate (6.75%)	Discount Rate (7.75%)	1% Increase in Discount Rate (8.75%)
Employer's proportionate share of the net pension liability	\$ 8,494,683	\$ 6,291,009	\$ 4,458,238

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate as of June 30, 2017:

	<u>1% Decrease in Discount Rate (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase in Discount Rate (8.75%)</u>
Employer's proportionate share of the net pension liability	\$ 8,612,193	\$ 6,477,682	\$ 4,700,766

#### **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](http://www.nd.gov/rio/sib/publications/cafr/default.htm).

#### **Note 6 - Other Post-Employment Benefits (OPEB)**

##### **North Dakota Public Employees Retirement System**

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

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

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



**OPEB Benefits**

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

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

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

**OPEB Liabilities**

At June 30, 2019 and 2018, the District reported a liability of \$48,068 and \$40,993, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018 and 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of those dates. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2018, the Employer's proportion was 0.061033 percent, which was an increase of 0.009209 percent from its proportion measured as of June 30, 2017. At June 30, 2017, the Employer's proportion was 0.051824 percent. Deferred outflows of resources related to OPEB as of June 30, 2019 and 2018 were \$20,128 and \$12,913, respectively. Deferred inflows of resources related to the pension plan as of June 30, 2019 and 2018 were \$2,027 and \$2,550, respectively.

The District's proportionate share of the OPEB liability and deferred outflows of resources and deferred inflows of resources related to OPEB are not reported in financial statements shown under the modified cash basis of accounting.

### Actuarial Assumptions

The total OPEB liability in the July 1, 2017 and 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurements:

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

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2018 and 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic Equities	37%	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 (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Employer's proportionate share of the net pension liability	\$60,817	\$48,068	\$37,138

The following presents the net OPEB liability of the Plans as of June 30, 2017, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Employer's proportionate share of the net pension liability	\$51,319	\$40,993	\$32,143

**Note 7 - Correction of Errors**

Net position, General Fund fund balance, cash, and capital assets as of July 1, 2017, have been restated to correct errors related to incorrectly recorded deposits in transit and outstanding checks and overstated capital assets. A summary of the changes is presented below.

	Governmental Activities	General Fund
Net Position/Fund Balance - June 30, 2017, as previously reported	\$ 10,048,695	\$ 1,564,207
Restatements		
Net understatement of cash due to incorrectly recorded deposits in transit and outstanding checks	127,043	127,043
Overstatement of capital assets	(302,654)	-
Net Position/Fund Balance - July 1, 2017, as restated	\$ 9,873,084	\$ 1,691,250

**Note 8 - Operating Leases**

The District has agreements in place to lease various technology equipment. Future lease payments as of June 30, 2019 are as follows:

Years Ending June 30,		
2020	\$	53,969
2021		53,969
2022		53,969
2023		53,969
Total future lease payments	\$	215,876

**Note 9 - Interfund Transfers**

The District transfers funds to cover operating deficits and to support general operations of the District. A summary of the District's interfund transfers as of June 30, 2018 are as follows:

	Transfer In	Transfer Out
General Fund	\$ -	\$ 220,000
Building Fund	220,000	-
Total transfers	\$ 220,000	\$ 220,000

A summary of the District's interfund transfers as of June 30, 2019 are as follows:

	Transfer In	Transfer Out
General Fund	\$ 117,300	\$ 220,000
Special Reserve Fund	-	117,300
Building Fund	220,000	-
Total transfers	\$ 337,300	\$ 337,300

**Note 10 - Risk Management**

The District is exposed to various risks of loss relating to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries insurance through the following funds/pools established by the State:

In 1986 state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The District pays an annual premium to NDIRF for its general liability, auto and public asset insurance coverage. The coverage by NDIRF is limited to losses of one million dollars per occurrence. There is no additional liability for the District related to the risk pool as of June 30, 2019.

The District also participates in the North Dakota Fire and Tornado Fund and State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The State Bonding fund provides political subdivisions with blanket employee fidelity bond coverage in the amount of \$2,000,000. The State Bonding Fund does not currently charge any premium for this coverage.

The District participates in the North Dakota Workforce Safety and Insurance Fund, an Enterprise Fund of the State of North Dakota. The Fund is a state insurance fund and a "no fault" insurance system covering the State's employers and employees financed by premiums assessed to the employers. The premiums are available for the payment of claims to employees injured in the course of employment.

There have been no significant reductions in insurance coverage from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**Note 11 - Subsequent Event**

Subsequent to year-end, the District has been negatively impacted by the effects of the world-wide coronavirus pandemic. The District is closely monitoring its operation, liquidity and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. The District has received additional federal aid to alleviate this impact and the pandemic and the District is actively monitoring budgets for additional impacts.



Supplementary Information  
June 30, 2019 and 2018

**Northern Cass Public School District**

Northern Cass Public School District  
 Budgetary Comparison Schedule – General Fund  
 Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property taxes	\$ 1,886,994	\$ 1,886,994	\$ 1,850,769	\$ (36,225)
Other local sources	80,400	80,400	128,953	48,553
State sources	5,564,224	5,568,785	5,610,965	42,180
Federal sources	121,286	130,162	184,438	54,276
Total revenues	<u>7,652,904</u>	<u>7,666,341</u>	<u>7,775,125</u>	<u>108,784</u>
<b>Expenditures</b>				
Current				
Instruction	4,510,853	4,500,488	4,633,134	(132,646)
Support services				
Student	238,393	238,393	212,278	26,115
Instructional	348,887	353,448	350,295	3,153
Administration services	797,344	797,344	649,523	147,821
Operations and maintenance	566,980	566,980	648,710	(81,730)
Transportation services	601,200	601,200	599,807	1,393
Preschool	34,775	34,775	29,116	5,659
Extracurriculars	266,557	266,557	325,751	(59,194)
Food services	61,000	61,000	58,000	3,000
Total expenditures	<u>7,425,989</u>	<u>7,420,185</u>	<u>7,506,614</u>	<u>(86,429)</u>
Excess of revenues over expenditures	226,915	246,156	268,511	22,355
<b>Other Financing Sources (Uses)</b>				
Transfers in	50,000	50,000	117,300	67,300
Transfers out	<u>(220,000)</u>	<u>(220,000)</u>	<u>(220,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(170,000)</u>	<u>(170,000)</u>	<u>(102,700)</u>	<u>67,300</u>
Net Change in Fund Balance	<u>\$ 56,915</u>	<u>\$ 76,156</u>	165,811	<u>\$ 89,655</u>
Fund Balance, Beginning of Year			<u>1,571,814</u>	
Fund Balance, End of Year			<u>\$ 1,737,625</u>	

Northern Cass Public School District  
 Budgetary Comparison Schedule – General Fund  
 Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property taxes	\$ 1,816,844	\$ 1,816,844	\$ 1,801,950	\$ (14,894)
Other local sources	65,400	65,400	107,718	42,318
State sources	5,280,805	5,280,805	5,345,308	64,503
Federal sources	104,482	109,482	180,442	70,960
Total revenues	<u>7,267,531</u>	<u>7,272,531</u>	<u>7,435,418</u>	<u>162,887</u>
<b>Expenditures</b>				
Current				
Instruction	4,358,257	4,352,982	4,263,461	89,521
Support services				
Student	236,397	226,397	225,248	1,149
Instructional	382,227	382,227	366,531	15,696
Administration services	785,425	785,425	777,270	8,155
Operations and maintenance	574,850	574,850	782,814	(207,964)
Transportation services	575,150	575,150	472,924	102,226
Preschool	80,275	80,275	79,024	1,251
Extracurriculars	257,257	257,257	309,582	(52,325)
Food services	61,000	61,000	58,000	3,000
Total expenditures	<u>7,310,838</u>	<u>7,295,563</u>	<u>7,334,854</u>	<u>(39,291)</u>
Excess of revenues over expenditures	(43,307)	(23,032)	100,564	123,596
<b>Other Financing Sources (Uses)</b>				
Transfers in	50,000	50,000	-	50,000
Transfers out	(220,000)	(220,000)	(220,000)	-
Total other financing sources (uses)	<u>(170,000)</u>	<u>(170,000)</u>	<u>(220,000)</u>	<u>50,000</u>
Net Change in Fund Balance	<u>\$ (213,307)</u>	<u>\$ (193,032)</u>	(119,436)	<u>\$ 73,596</u>
Fund Balance, Beginning of Year, as Restated (Note 7)			<u>1,691,250</u>	
Fund Balance, End of Year			<u>\$ 1,571,814</u>	



Northern Cass Public School District  
Schedule of Employer's Share of Net Pension Liability  
Years Ended June 30, 2019 and 2018

**North Dakota Public Employees Retirement System\***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability	0.065007%	0.054920%	0.063925%	0.065070%	0.062030%
Employer's proportionate share of the net pension liability	\$ 1,097,064	\$ 882,745	\$ 623,011	\$ 442,465	\$ 393,718
Employer's covered payroll	\$ 667,829	\$ 560,650	\$ 644,217	\$ 579,695	\$ 522,535
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	164.3%	157.5%	96.7%	76.3%	75.3%
Plan fiduciary net position as a percentage of the total pension liability	62.8%	62.0%	70.5%	77.2%	77.7%

**North Dakota Teachers' Fund For Retirement\***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability	0.471994%	0.471610%	0.428614%	0.413713%	0.409839%
Employer's proportionate share of the net pension liability	\$ 6,291,009	\$ 6,477,682	\$ 6,279,446	\$ 4,097,860	\$ 4,294,386
Employer's covered payroll	\$ 3,208,659	\$ 3,183,231	\$ 2,784,812	\$ 2,544,771	\$ 2,377,286
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	196.1%	203.5%	225.5%	161.0%	180.6%
Plan fiduciary net position as a percentage of the total pension liability	65.5%	63.2%	59.2%	62.1%	66.6%

\*It is the District's intent to include ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available. Data presented is as of the measurement date.

Northern Cass Public School District  
Schedule of Employer Contributions  
Years Ended June 30, 2019 and 2018

**North Dakota Public Employees Retirement System\***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 49,188	\$ 40,654	\$ 46,640	\$ 44,032	\$ 37,204
Contributions in relation to the statutorily required contribution	\$ (49,760)	\$ (47,314)	\$ (44,621)	\$ (42,329)	\$ (37,204)
Contribution deficiency (excess)	\$ (572)	\$ (6,660)	\$ 2,019	\$ 1,703	\$ -
Employer's covered payroll	\$ 667,829	\$ 560,650	\$ 644,217	\$ 579,695	\$ 522,535
Contributions as a percentage of covered payroll	7.45%	8.44%	6.93%	7.30%	7.12%

**North Dakota Teachers' Fund for Retirement\***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 409,104	\$ 405,862	\$ 355,064	\$ 324,458	\$ 303,104
Contributions in relation to the statutorily required contribution	\$ (409,104)	\$ (405,862)	\$ (355,064)	\$ (324,458)	\$ (303,104)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 3,208,659	\$ 3,183,231	\$ 2,784,812	\$ 2,544,771	\$ 2,377,286
Contributions as a percentage of covered payroll	12.75%	12.75%	12.75%	12.75%	12.75%

\*It is the District's intent to include ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available. Date presented is as of the District's fiscal year-end.

Northern Cass Public School District  
Schedule of Employer's Share of Net OPEB Liability and Schedule of Employer Contributions  
- ND Public Employees Retirement System  
Years Ended June 30, 2019 and 2018

---

**Schedule of Employer's Share of Net OPEB Liability – ND Public Employees Retirement System\***

	2019	2018	2017
Employer's proportion of the net OPEB liability	0.061033%	0.051824%	0.063925%
Employer's proportionate share of the net OPEB liability (asset)	\$ 48,068	\$ 40,993	\$ 45,868
Employer's covered payroll	\$ 667,829	\$ 560,650	\$ 644,217
Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	7.2%	7.3%	7.1%
Plan fiduciary net position as a percentage of the total OPEB liability	61.9%	59.8%	59.2%

\* It is the District's intent to include ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available. Data presented is as of the measurement date.

**Schedule of Employer Contributions – ND Public Employees Retirement System\***

	2019	2018	2017
Statutorily required contribution	\$ 7,833	\$ 6,517	\$ 7,344
Contributions in relation to the statutorily required contribution	\$ (7,967)	\$ (7,576)	\$ (7,344)
Contribution deficiency (excess)	\$ (134)	\$ (1,059)	\$ -
Employer's covered payroll	\$ 667,829	\$ 560,650	\$ 644,217
Contributions as a percentage of covered payroll	1.19%	1.35%	1.14%

\* It is the District's intent to include ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available. Data presented is as of the District's fiscal year-end.

**Note 1 - Changes of Assumptions – Net Pension Liability**

**North Dakota Public Employees Retirement System**

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.

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2017 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.

**North Dakota 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 – Net OPEB Liability**

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.

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2017 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.



Additional Reports  
June 30, 2019 and 2018

## Northern Cass Public School District



**Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the School Board  
Northern Cass Public School District  
Hunter, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Northern Cass Public School District (“the District”) as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated January 18, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audits of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings listed as items 2019-001, 2019-002, 2019-003, and 2019-004 that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District'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*.

**Northern Cass Public School District's Responses to Findings**

The District's responses to the findings identified in our audits are described in the accompanying schedule of findings. The District's responses were not subjected to the auditing procedures applied in the audits 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.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Fargo, North Dakota  
January 18, 2022

**2019-001      Segregation of Duties  
Material Weakness**

*Criteria* – A good system of internal control requires an adequate segregation of duties so that no one individual has incompatible responsibilities. No one person should have more than one duty relating to the authorization (approval), custody of assets (check signers), record keeping, and reconciliation functions.

*Condition* – The District does not have enough staff to adequately separate duties in cash receipts, cash disbursements, accounts payable and purchasing, payroll and related liabilities, and general ledger maintenance and reconciliation.

*Cause* – There is a limited amount of office employees involved in the internal control process.

*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 period by employees in the normal course of performing their assigned functions.

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

*View of Responsible Officials* – There is no disagreement with the audit finding.

**2019-002      Preparation of Financial Statements  
Material Weakness**

*Criteria* – A good system of internal accounting control contemplates an adequate system for internally preparing the District's financial statements.

*Condition* – The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. The auditors were requested to, and did, draft the financial statements and accompanying notes to the financial statements.

*Cause* – The District does not have an internal control system designed to provide for the preparation of the financial statements being audited.

*Effect* – The disclosures in the financial statements could be incomplete.

*Recommendation* – It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

*View of Responsible Officials* – There is no disagreement with the audit finding.



**2019-003      Material Journal Entries, including the Correction of Errors  
Material Weakness**

*Criteria* – A good system of internal accounting control contemplates an adequate system for recording and processing entries material to the financial statements.

*Condition* – During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the District’s existing internal controls, and therefore could have resulted in a material misstatement of the District’s financial statements and resulted in material misstatements in prior periods.

*Cause* – The District does not have an internal control system designed to identify all necessary adjustments.

*Effect* – This deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

*Recommendation* – A thorough review and reconciliation of accounts in each fund should take place at the accounting staff and supervisor levels prior to the beginning of the audit.

*View of Responsible Officials* – There is no disagreement with the audit finding.

**2019-004      Recording of Capital Asset Values  
Material Weakness**

*Criteria* – A good system of internal accounting control contemplates an adequate system for recording and maintaining individual capital asset records that are accurate.

*Condition* – During the course of our engagement, we noted numerous inconsistencies between the capital asset listing and the supporting documentation, including improperly aggregated items that should be recorded and depreciated individually. This resulted in a prior period adjustment restating the beginning balance of capital assets.

*Cause* – The District does not have an internal control system designed to properly identify, record, and depreciate capital assets.

*Effect* – This deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

*Recommendation* – A thorough review and reconciliation of capital assets and related depreciation should be performed annually, and individual additions should be identified and recorded at the time of acquisition.

*View of Responsible Officials* – There is no disagreement with the audit finding.