PARK RIVER AREA SCHOOL
DISTRICT NO. 8
PARK RIVER, NORTH DAKOTA

FINANCIAL STATEMENTS
For the Year Ended
June 30, 2019

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

PARK RIVER AREA SCHOOL DISTRICT NO. 8
Park River, North Dakota
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PARK RIVER AREA SCHOOL DISTRICT NO. 8
Park River, North Dakota
LIST OF OFFICIALS
Year Ended June 30, 2019

Bill Bata	President
Bradley Brummond	Vice President
Breanna Britnell	Board Member
Diana Hahn	Board Member
Kelly Houser	Board Member
Tracy Laaveg	Board Member
Jennifer Thompson	Board Member
Kirk Ham	Superintendent
Roberta Hinkel	Business Manager

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INDEPENDENT AUDITOR'S REPORT

To the School Board
Park River Area School District No. 8

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Park River Area School District No. 8 as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Park River Area School District No. 8, as of June 30, 2019, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, Schedule of Employer's Share of Net Pension Liability, and Schedule of Employer's Contributions as listed on the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Park River Area School District No. 8's basic financial statements. The accompanying Detailed Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Detailed Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of revenues, expenditures, and changes in fund balance for the general fund is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2019, on our consideration of the Park River Area School District No. 8's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Park River Area School District No. 8's internal control over financial reporting and compliance.

Mortenson & Rygh

Mortenson & Rygh
Certified Public Accountants
December 20, 2019

BASIC FINANCIAL STATEMENTS

PARK RIVER AREA SCHOOL DISTRICT NO. 8

Park River, North Dakota

Statement of Net Position

June 30, 2019

	Governmental Activities
ASSETS:	
CURRENT ASSETS	
Cash and Cash Equivalents	$ 1,589,992
Cash Restricted for Debt Service	999,494
Accounts Receivables	142,662
Taxes Receivable	103,112
Prepaid Expenses	3,741
Total Current Assets	2,839,001
NON-CURRENT ASSETS	
Capital Assets net of Accumulated Depreciation	15,261,151
Total Non-Current Assets	15,261,151
Total Assets	18,100,151
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows - Pension	981,271
Total Deferred Outflows of Resources	981,271
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 19,081,422
LIABILITIES:	
CURRENT LIABILITIES	
Accounts Payable	$ 51,084
Accrued Salaries and Benefits	276,641
Amounts Payable from Current Restricted Assets:	
Interest Payable	103,313
Current Portion of Non-Current Liabilities	401,704
Total Current Liabilities	832,742
NON CURRENT LIABILITIES	
Bonds Payable	9,721,011
Capitalized Leases Payable	351,348
Less Amount of Debt Due Within One Year	(401,704)
Sick Leave Payable	31,747
Net Pension Liability	5,087,393
Total Non-Current Liabilities	14,789,795
Total Liabilities	15,622,537
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows - Pension	494,087
Total Deferred Inflows of Resources	494,087
TOTAL LIABILITIES AND DEFERRED INFLOWS	16,116,624
NET POSITION:	
Net Investment in Capital Assets	5,188,791
Restricted for:	
Capital Projects	184,802
Debt Service	942,986
Special Reserve	215,912
Other	54,630
Unrestricted	(3,622,324)
Total Net Position	2,964,798
TOTAL LIABILITIES AND NET POSITION	$ 19,081,422

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

PARK RIVER AREA SCHOOL DISTRICT NO. 8

Park River, North Dakota

Statement of Activities

Year Ended June 30, 2019

Functions/Programs:	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Total Governmental Activities
Governmental Activities:					
Regular Instruction	$ 1,940,583	$ -	$ -	$ -	$ (1,940,583)
Special Education	705,840	-	-	-	(705,840)
Career and Technical Education	173,855	-	4,891	-	(168,965)
Federal Programs	253,812	-	237,654	-	(16,157)
Other Programs & Services	320,886	-	12,297	-	(308,590)
Student Support Services:					
Counseling Services	215,598	102,970	-	-	(112,628)
Instructional Staff	152,095	-	-	-	(152,095)
General Administration	241,416	-	-	-	(241,416)
School Administration	266,307	-	-	-	(266,307)
Business Office	66,645	-	-	-	(66,645)
Operation and Maintenance	1,035,005	-	-	12,261	(1,022,744)
Transportation	292,805	-	121,492	20,311	(151,002)
Central Support Services	1,835	-	-	-	(1,835)
Food Service	254,284	132,835	109,695	-	(11,754)
Interest & Fees on Long Term Debt	220,013	-	-	-	(220,013)
Total Primary Government	$ 6,140,979	$ 235,805	$ 486,029	$ 32,572	$ (5,386,573)

General Revenues:	
Property Taxes Levies for:	
General Purposes	938,821
Building Fund	135,421
Special Reserve	40,468
Sinking & Interest	566,349
Federal & State Aid not restricted to special purposes	3,596,293
Sale of Assets	1,150
Other Revenues	20,298
Total General Revenues	5,298,800
Change in Net Position	(87,774)
Net Position - July 1	3,052,571
Net Position - June 30	$ 2,964,798

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

PARK RIVER AREA SCHOOL DISTRICT NO. 8
Park River, North Dakota
Balance Sheet -Governmental Funds
June 30, 2019

	General	Bldg & Cap Projects Fund	Sinking Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	$ 1,131,758	$ 178,347	$ 10,172	$ 269,715	$ 1,589,992
Cash Restricted for Debt Service	-	-	999,494	-	999,494
Accounts Receivable	127,330	12,261	-	3,071	142,662
Taxes Receivable	55,342	8,581	36,633	2,556	103,112
Prepaid Expenses	3,741	-	-	-	3,741
Total Assets	$ 1,318,171	$ 199,189	$ 1,046,299	$ 275,342	$ 2,839,001
LIABILITIES AND FUND BALANCE:					
LIABILITIES					
Accounts Payable	$ 26,751	$ 14,387	$ -	$ 9,946	$ 51,084
Accrued Salaries and Benefits	272,753	-	-	3,889	276,641
Interest Payable	-	-	103,313	-	103,313
Total Liabilities	299,503	14,387	103,313	13,835	431,038
DEFERRED INFLOWS OF RESOURCES:					
Uncollected Taxes Receivable	23,079	7,600	32,447	2,264	65,390
Total Liabilities & Deferred Inflows of Resources	322,583	21,987	135,760	16,099	496,428
Fund Balances:					
Restricted for:					
Debt service	-	-	910,539	-	910,539
Capital projects	-	177,202	-	-	177,202
Special reserve fund	-	-	-	213,648	213,648
Other purposes	54,630	-	-	-	54,630
Committed to:					
Food Service	-	-	-	45,595	45,595
Unassigned	940,958	-	-	-	940,958
Total Fund Balance	995,588	177,202	910,539	259,243	2,342,573
Total Liabilities & Fund Balance	$ 1,318,171	$ 199,189	$ 1,046,299	$ 275,342	$ 2,839,001

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

PARK RIVER AREA SCHOOL DISTRICT NO. 8
Park River, North Dakota
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2019

Total *Fund Balance* for Governmental Funds		$ 2,342,573
Total *net position* reported for governmental activities in the statement of net position is different because:		
Sick Leave Payable		(31,747)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Cost of Capital Assets	$ 17,693,504	
Less: Accumulated Depreciation	(2,432,354)	
Net Capital Assets		15,261,151
Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenues in the funds		65,390
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long term, are reported in the statement of net position.		
Total Bonds Payable		(9,721,011)
Capital Lease Payable		(351,348)
Net Pension Liability		(5,087,393)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred outflows related to pensions		981,271
Deferred inflows related to pensions		(494,087)
Total *Net Position* of Governmental Activities		$ 2,964,798

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

PARK RIVER AREA SCHOOL DISTRICT NO. 8

Park River, North Dakota

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

Year Ended June 30, 2019

	General	Bldg & Cap Projects Fund	Sinking Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local Sources	$ 1,082,333	$ 136,241	$ 581,313	$ 174,019	$ 1,973,907
State Sources	3,755,283	12,261	-	2,904	3,770,447
Federal Sources	237,654	-	-	106,791	344,446
Total Revenues	5,075,270	148,502	581,313	283,715	6,088,800
Expenditures:					
Regular Education Programs	1,847,529	-	-	-	1,847,529
Special Programs	705,840	-	-	-	705,840
Career and Technical Education	173,855	-	-	-	173,855
Federal Programs	253,812	-	-	-	253,812
Student Support Services					
Counseling Services	215,598				215,598
Instructional Staff	152,095				152,095
General Administration	241,416	-	-	-	241,416
School Administration	266,307	-	-	-	266,307
Business Office	66,645	-	-	-	66,645
Operation and Maintenance	503,676	-	-	-	503,676
Transportation	230,408	-	-	-	230,408
Central Support Services	1,835	-	-	-	1,835
Other Programs	320,886	-	-	-	320,886
Food Service	-	-	-	242,547	242,547
Capital Outlay:	154,701	60,194	-	-	214,896
Debt Service:					
Principal Payments	-	-	390,757	-	390,757
Interest Payments	-	-	220,013	-	220,013
Total Expenditures	5,134,603	60,194	610,770	242,547	6,048,115
Excess Revenues over (under) Expenditures	(59,333)	88,308	(29,457)	41,168	40,686
Other Financing Sources(Uses):					
Sale of Fixed Assets	400	-	-	750	1,150
Interfund Transfers In	38,256	-	168,286	309	206,851
Interfund Transfers (Out)	(113,563)	(55,032)	(443)	(37,813)	(206,851)
Net Change in Fund Balances	(134,240)	33,276	138,386	4,414	41,836
Fund balance - July 1	1,129,828	143,926	772,154	254,829	2,300,737
Fund balance - June 30	$ 995,588	$ 177,202	$ 910,539	$ 259,243	$ 2,342,573

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

PARK RIVER AREA SCHOOL DISTRICT NO. 8
Park River, North Dakota
Reconciliation of the Statement of Revenues, Expenses, and Changes in Fund Balances to the Statement of Activities - All Governmental Fund Types
Year Ended June 30, 2019

Net Change in *Fund Balance* - Total Governmental Funds		$ 41,836
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenses. However, in the statement of activities assets with an initial, individual cost of more than $5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital Asset Additions	170,436	
Current Year Depreciation Expense	(544,559)	(374,123)
Governmental funds expense sick pay as incurred. However, in the statement of activities, sick pay is expensed when the liability is deemed measurable. This is the amount the accrued sick leave liability decreased during the year.		(52)
Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This is the increase (decrease) in taxes receivable from the prior year.		(36,745)
Governmental funds report debt principle payments as an expense. However in the statement of activities debt principle is not expensed nor is the receipt of borrowed funds treated as income. This is the amount by which debt repayment exceeded debt proceeds:		
Repayment of Long-Term Debt	390,757	390,757
Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
District pension contributions	345,020	
Cost of benefits earned net of employee contributions	(454,465)	(109,445)
Change in *Net Position* of Governmental Activities		$ (87,774)

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

PARK RIVER AREA SCHOOL DISTRICT NO. 8
Park River, North Dakota
Statement of Assets and Liabilities – Fiduciary Fund
June 30, 2019

Assets:	
Cash and Investments	223,451
Liabilities	
Due to Student Groups	$ 223,451

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

The District's financial statements include all of the District's operations. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from Park River Area School District No. 8.

B. Basis of Presentation

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

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

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

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

C. Fund Accounting

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

GOVERNMENTAL FUND TYPES

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

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

Sinking Funds – Sinking funds are used to accumulate revenues dedicated to debt service and to retire corresponding debt issues as the interest and principal come due.

FIDUCIARY FUND TYPE

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

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

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

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

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

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

E. Cash and Cash Equivalents

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

F. Capital Assets

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

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

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

Assets	Years
Buildings	40
Building Improvements	40
Buses	10
Furniture & equipment	10
Vehicles	5
Computer & electronic equipment	5

G. Accrued Liabilities and Long-Term Obligations

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

H. Net Position/Fund Balance

Government-wide Financial Statements

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

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

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

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

Fund Financial Statement

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

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

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

Committed fund balance – This category includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the School Board. The commitment can only be removed through the same action. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

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

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

Deferred Outflows and Inflows of Resources

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

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

I. Interfund Transactions

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

J. Use of Estimates in Preparing Financial Statements

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

K. Memorandum Only - Total Columns

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

NOTE 2 LEGAL COMPLIANCE – BUDGETS

Budget Amendments

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

For the Year Ended June 30, 2018

Budget Amendments:	Original Budget	Amendment	Amended Budget
		Revenues	
Major Funds:			
General Fund	5,087,450	(31,788)	5,055,662
		Expenditures	
Major Funds:			
General Fund	5,144,050	12,187	5,156,237
Building	85,200	20,800	106,000
Sinking & Interest Fund	611,970	200	612,170
Non Major Funds			
Special Reserve	35,000	5,000	40,000

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

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

State statutes authorize the District to invest in:

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

B. Investments

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

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

At year ended June 30, 2019, the school district’s carrying amount of deposits totaled $2,812,937 and the bank balances totaled $2,877,545. Of the bank balances, $716,087 was covered by Federal Depository Insurance. The remaining bank balances totaling $2,161,458 were collateralized with securities held by the pledging financial institution’s agent in the government’s name.

NOTE 4 PROPERTY TAXES

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes and all the special assessments and the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount on property taxes is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the discount on the property taxes.

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

NOTE 5 PENSION PLAN

Summary of Significant Accounting Policies

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

General Information about the Pension Plans

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

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

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

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

Pension Benefits

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

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

At June 30, 2019, the Employer reported a liability of $947,120 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. June 30, 2018, the Employer's proportion was 0.056122 percent, which was a decrease of 0.000375 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Employer recognized pension expense of $151,425. At June 30, 2019, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiencs	$ 2,506	$ 32,223
Changes of assumptions	341,891	13,518
Net difference between projected and actual earnings on pension plan investments	-	4,608
Changes in proportion and differences between Employer contributions and proportionate share of contributions	6,102	23,012
*Employer contributions subsequent to the measurement date of July 1, 2018	43,684	-
Total	$ 394,183	$ 73,361

*$43,684 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019, 2020

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

Year ended June 30:	
2019	$ 92,659
2020	80,064
2021	66,177
2022	35,993
2023	2,245
Thereafter	-
Total	$ 277,138

Actuarial Assumption

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

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

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

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

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

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

Discount Rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this

determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

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

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

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

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

	1% Decrease (5.32%)	**Current Discount Rate (6.32%)**	**1% Increase (7.32%)**
Employer's proportionate share of the net pension liablity	1,286,960	947,120	663,534

Pension Plan Fiduciary Net Position

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

B. <u>North Dakota Public Teachers' Fund for Retirement</u>

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

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

At June 30, 2019, the Employer reported a liability of $4,098,775 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2018, the Employer's proportion was 0.307518 percent, which was a decrease of 0.011004 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Employer recognized pension expense of $297,958. At June 30, 2019, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiencs	$ 11,124	$ 111,475
Net difference between projected and actual earnings on pension plan investments	225,794	14,171
Changes of assumptions	44,189	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	293,037
*Employer contributions subsequent to the measurement date of July 1, 2018	294,352	-
Total	$ 575,459	$ 418,683

*$294,352 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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

Year ended June 30:	
2019	$ 69,804
2020	12,507
2021	(88,009)
2022	(71,628)
2023	(28,067)
Thereafter	(32,183)
Total	$ (137,576)

Actuarial Assumptions

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

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

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

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

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

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.75% percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2018, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of July 1, 2018. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Employer's proportionate share of the net pension liablity	5,534,532	4,098,775	2,904,671

Pension Plan Fiduciary Net Position

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

NOTE 6 OTHER POST EMPLOYMENT BENEFITS (OPEB)

Summary of Significant Accounting Policies

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

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

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

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

OPEB Benefits

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

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

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

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

At June 30, 2019, the district reported a liability of $41,498 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. June 30, 2018, the district's proportion was 0.052691 percent, which was an decrease of .000620 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the district recognized OPEB expense of 5,082. At June 30, 2019, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiencs	$ 1,241	$ 857
Changes of assumptions	3,405	-
Net difference between projected and actual earnings on OPEB plan investments	-	893
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	293
*Employer contributions subsequent to the measurement date of July 1, 2018	6,983	-
Total	$ 11,629	$ 2,043

$6,983 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020.

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

Year ended June 30:	
2020	$ 300
2021	300
2022	300
2023	694
2024	624
Thereafter	385
Total	$ 2,603

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

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

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

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

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

Discount rate.

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Employer's proportionate share of the net OPEB liablity	52,505	41,498	32,062

NOTE 7 RISK MANAGEMENT

The Park River Area School District No. 8 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

The Park River Area School District No. 8 also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The district pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a twelve-month period.

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

NOTE 8 CAPITAL ASSETS

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

	July 1, 2018	Increases	Decreases	June 30, 2019
Capital Assets, not being depreciated:				
Construction in Progress	$ 8,650	$ -	$ (8,650)	$ -
Total Capital Assets Not Being Depreciated	8,650	-	(8,650)	-
Capital Assets, being depreciated:				
Buildings	$ 16,421,192	$ 83,589	$ -	$ 16,504,782
Furniture & Equipment	562,800	-	-	562,800
Buses & Vehicles	530,425	95,497	-	625,922
Total Capital Assets Being Depreciated	$ 17,514,418	$ 179,086	$ -	$ 17,693,504
Accumulated depreciation:				
Buildings	(1,459,994)	(448,124)	-	(1,908,118)
Furniture & Equipment	(172,907)	(54,757)	-	(227,665)
Buses & Vehicles	(254,893)	(41,678)	-	(296,571)
Total Accumulated Depreciation	$ (1,887,794)	$ (544,559)	$ -	$ (2,432,354)
Total Capital Assets Being Depreciated, Net	$ 15,626,624	$ (365,473)	$ -	$ 15,261,151
Governmental Activities Capital Assets, Net	$ 15,635,274	$ (365,473)	$ (8,650)	$ 15,261,151

Depreciation was expensed to the following functions:

Bus Vehicle Depreciation	$ 41,678
Bldg & Equipment Depreciation	502,209
Food Service Fund	672
Total Depreciation Expense	$ 544,559

NOTE 9 DEFERRED INFLOWS/OUTFLOWS OF RESOURCES

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

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

	Receivable	Deferred
General Fund	$ 55,341	$ 23,079
Capital Project Fund	8,581	7,600
Sinking & Interest Fund	36,633	32,447
Special Reserve Fund	2,556	2,264
	$ 103,111	$ 65,390

Deferred inflows and outflows of resources in the Statement of Net Position represent the changes of assumptions, net difference between projected and actual investment earnings on pension plan investments and changes in proportion and differences between District contributions and the proportionate share of contributions, as discussed in note 5.

NOTE 10 GRANTS

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

NOTE 11 COMPENSATED ABSENCES

A teacher is allowed sick leave at the rate of 10 days for each year employed by the school district. Teachers who began their employment after July 1, 2000 are allowed to accumulate unused sick leave up to 90 days. Teachers who began their employment before July 1, 2000 may accumulate up to 180 day of sick leave. The district does not pay unused sick leave upon termination of employment.

Teachers are also allowed 3 personal days per year and may accumulate up to 5 personal days. Teachers who accumulate more than 5 days may be compensated $200 for each unused personal day that could not be accumulated. Compensation for all earned and available personal leave is paid upon termination of employment with the district.

NOTE 12 LONG TERM DEBT

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

	Balance 7/1/2018	Debt Paid	Debt Issued	Balance 6/30/2019	Due Within One Year
Building Bonds of 2009	140,000	-	-	140,000	-
Building Bonds Series 2010	450,000	-	-	450,000	-
General Obligation School Building Bonds, Series 2015A	805,000	(40,000)	-	765,000	40,000
Limited Tax Building Fund Bonds Series 2015B	1,275,000	(30,000)	-	1,245,000	30,000
General Obligation State School Const. Fund Series 2015	7,397,497	(276,485)	-	7,121,011	286,814
Capital Lease	395,620	(44,272)	-	351,348	44,891
	$10,463,117	$ (390,757)	$ -	$ 10,072,359	$ 401,704

The annual requirement to amortize all general obligation bonds outstanding as of June 30, 2019, including interest payments are as follows:

Year Ending	General Obligation Bonds		
June 30	Principal	Interest	Total
2020	$ 356,814	$ 229,128	$ 585,941
2021	371,334	221,620	592,953
2022	386,589	213,818	600,406
2023	402,616	205,707	608,323
2024	424,454	196,996	621,451
2025-2029	3,201,246	732,248	3,933,494
2030-2034	3,380,166	369,650	3,749,816
2035-2039	1,197,794	23,975	1,221,769
Total	$ 9,721,011	$ 2,193,142	$ 11,914,154

General Obligation Bonds – General obligation bonds payable at June 30, 2019, with their outstanding balance are comprised of the following individual issues:

$140,000 Limited Tax School Building Fund Bonds, Series 2009
The school district issued bonds during 2009 designated as “$140,000 Limited Tax School Building Fund Bonds, Series 2009” issued pursuant to Chapter 21-03 of the ND Century Code and pursuant to Section 54F of the Internal Revenue Code of 1986, as amended. The bonds carry no interest; the purchaser of the bonds receives a federal income tax credit in lieu of periodic interest payments. Annual transfers of $9,333 are made to a sinking fund until maturity in 2025. As of June 30, 2019 the district has restricted $84,000 for this issue.

Outstanding June 30, 2019	$140,000

Taxable Limited Tax School Building Bonds, Series 2010
In 2010, the school district issued “Taxable Limited Tax School Building Bonds, Series 2010” in the amount of $450,000. The bonds were issued pursuant to Sections 21-03-07, 21-03-09, and 21-03-14 of the ND Century Code, pursuant to Section 54F of the Internal Revenue Code of 1986, as amended. The bonds carry an interest rate of 5.29%. Annual transfers of $30,000 are made to a

sinking fund until maturity in 2020. As of June 30, 2019 the district has restricted $272,536 for this issue.

Outstanding June 30, 2019	450,000

General Obligation School Building Bonds, Series 2015A
On July 8, 2015 the school district issued "General Obligation School Building Bonds, Series 2015A" in the amount of $880,000. The bonds carry an interest rate varying from 1.10% to 3.50%, with a true interest rate of 3.2560%. Interest is due semiannually and principal is due annually. This issue is scheduled to mature August 1, 2034.

Outstanding June 30, 2019	765,000

Limited Tax Building Fund Bonds, Series 2015B
On August 20, 2015 the school district issued "Limited Tax Building Fund Bonds, Series 2015B in the amount of $1,330,000. The bonds carry an interest rate varying from 3.00% to 3.750%, with a true interest rate of 3.3163%. Interest is due semiannually and principal is due annually. The issue is scheduled to mature August 1, 2034.

Outstanding June 30, 2019	$1,245,000

General Obligation State School Construction Fund Bonds, Series 2015C
On July 30, 2015 the school district issued "General Obligation State School Construction Fund Bonds, Series 2015C" in the amount of $8,088,858. The bonds carry an interest rate at 5.0%, until July 1, 2025, and thereafter at a rate established by BND pursuant to Chapter 15.1-36 of the N.D.C.C. From the date of issue until July 1, 2025 the district will receive interest buydown funds from the State to reduce the interest rate on the bonds to 2.00%. Principal and interest payments are due semiannually through September 2035.

Outstanding June 30, 2019	7,121,011
Total Bonds Outstanding June 30, 2019	$9,721,011

NOTE 13 CAPITAL LEASE

The District entered into a capital lease to finance equipment purchased in conjunction with construction of a new addition. The lease is for 10 years at a 3.302% interest rate. The last payment is due in 2025.

Outstanding June 30, 2019	$351,348

The annual requirement to amortize the capital lease outstanding as of June 30, 2019, including interest payments are as follows:

Year Ending	Capital Lease Payments		
June 30	Principal	Interest	Total
2020	$ 44,891	$ 11,455	$ 56,346
2021	46,372	9,974	56,346
2022	47,903	8,443	56,346
2023	49,483	6,863	56,346
2024	51,116	5,230	56,346
2025-2029	111,582	5,343	116,925
Total	$ 351,348	$ 47,307	$ 398,655

NOTE 14 INTERFUND TRANSFERS

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

Fund	**In**	**Out**
General Fund	$ 38,256	$ 113,563
Special Reserve	-	37,813
Capital Projects Fund	-	55,032
Sinking Fund Bonds of 2005	-	443
Food Service Fund	309	-
Parking Lot Bonds Series 2010	31,524	-
Bus Barn Bonds Series 2009	9,333	-
Building Bonds Series 2015	72,397	-
Building Project Equipment Lease	55,032	-
Total	$ 206,851	$ 206,851

Transfers were made for cash management requirements and debt service requirements.

NOTE 15 SUBSEQUENT EVENTS

As of December 20, 2019, the date the financial statements were available to be issued, the district was not aware of any subsequent events that need to be disclosed in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

PARK RIVER AREA SCHOOL DISTRICT NO. 8
Park River, North Dakota
Budgetary Comparison Schedule - General Fund
Year Ended **June 30, 2019**

General Fund

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Local Sources	$ 1,136,356	$ 1,092,381	$ 1,082,333	$ (10,048)
State Sources	3,741,000	3,741,000	3,755,283	14,283
Federal Sources	210,094	222,281	237,654	15,373
Total Revenues	5,087,450	5,055,662	5,075,270	19,608
Expenditures:				
Regular Instruction Programs	1,885,163	1,885,163	1,847,529	37,634
Special Education	727,080	727,080	705,840	21,240
Vocational Instruction	184,867	184,867	173,855	11,012
Federal Programs	240,718	252,905	253,812	(907)
Other Programs & Services	332,210	332,210	320,886	11,324
Student Support Services				
Counseling Services	217,125	217,125	215,598	1,527
Instructional Staff	156,377	156,377	152,095	4,282
General Administration	251,330	251,330	241,416	9,914
School Administration	269,870	269,870	266,307	3,563
Business Office	66,180	66,180	66,645	(465)
Operation and Maintenance	531,000	531,000	503,676	27,324
Transportation	236,280	236,280	230,408	5,872
Central Support Services	1,850	1,850	1,835	15
Capital Outlay	44,000	44,000	154,701	(110,701)
Total Expenditures	5,144,050	5,156,237	5,134,603	21,634
Excess Revenues over (under) Expenditures	(56,600)	(100,575)	(59,333)	41,242
Sale of Fixed Assets	-	-	400	
Interfund Transfers In	32,000	32,000	38,256	
Interfund Transfers (Out)	(114,600)	(114,600)	(113,563)	
Net Change in Fund Balance	(139,200)	(183,175)	(134,240)	
Fund balance - July 1	1,129,828	1,129,828	1,129,828	
Fund balance - June 30	$ 990,628	$ 946,653	$ 995,588	

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

PARK RIVER AREA SCHOOL DISTRICT NO. 8
Park River, North Dakota
Schedule of District's Share of Net Pension Liability
ND Teachers' Fund for Retirement
Last 10 Fiscal Years*

Year Ended June 30	Employeer's Proportion Of the Net Pension Liability (Asset)	Employeer's Proportionate Share Of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share Of the Net Pension Liability (Asset) as a % of its covered-employee Payroll	Plan Fiduciary Net Position As a % of the Total Pension Liability
2015	0.343974%	3,604,238	1,995,232	180.6%	66.60%
2016	0.326382%	4,268,604	2,007,593	212.6%	62.10%
2017	0.313455%	4,592,296	2,036,594	225.5%	59.20%
2018	0.318522%	4,374,981	2,149,932	203.5%	63.20%
2019	0.307518%	4,098,775	2,090,534	196.1%	65.50%

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

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

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

PARK RIVER AREA SCHOOL DISTRICT NO. 8
Park River, North Dakota
Schedule of District's Contributions
ND Teachers' Fund for Retirement
Last 10 Fiscal Years*

Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficency (Excess)	Employer's Covered Employee Payroll	as a % of Covered Employee Payroll
2015	214,485	214,485	0	1,995,232	10.75%
2016	255,956	255,956	0	2,007,593	12.75%
2017	259,666	259,666	0	2,036,594	12.75%
2018	274,116	274,116	0	2,149,932	12.75%
2019	266,543	266,543	0	2,090,534	12.75%

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

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

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

PARK RIVER AREA SCHOOL DISTRICT NO. 8
Park River, North Dakota
Schedule of District's Share of Net Pension Liability
ND Public Employees Retirement System
Last 10 Fiscal Years*

Year Ended June 30	Employeer's Proportion Of the Net Pension Liability (Asset)	Employeer's Proportionate Share Of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share Of the Net Pension Liability (Asset) as a % of its covered-employee Payroll	Plan Fiduciary Net Position As a % of the Total Pension Liability
2015	0.058921%	373,984	496,336	75.3%	77.70%
2016	0.058116%	395,179	517,742	76.3%	77.15%
2017	0.060221%	586,912	606,881	96.7%	70.46%
2018	0.056497%	908,092	576,741	157.5%	61.98%
2019	0.056122%	947,120	576,550	164.3%	62.80%

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

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

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

PARK RIVER AREA SCHOOL DISTRICT NO. 8
Park River, North Dakota
Schedule of District's Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years*

Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficency (Excess)	Employer's Covered Employee Payroll	as a % of Covered Employee Payroll
2015	35,339	35,339	0	496,336	7.12%
2016	39,327	39,438	(111)	517,742	7.62%
2017	43,938	40,974	2,964	606,881	6.75%
2018	41,821	41,918	(97)	576,741	7.27%
2019	42,465	43,166	(701)	576,550	7.49%

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

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

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

PARK RIVER AREA SCHOOL DISTRICT NO. 8
Park River, North Dakota
Schedule of District's Share of Net OPEB Liability
ND Public Employees Retirement System
Last 10 Fiscal Years*

Year Ended June 30	Employeer's Proportion Of the Net OPEB Liability (Asset)	Employeer's Proportionate Share Of the Net OPEB Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share Of the Net OPEB Liability (Asset) as a % of its covered-employee Payroll	Plan Fiduciary Net Position As a % of the Total OPEB Liability
2018	0.053311%	42,170	576,741	7.3%	59.78%
2019	0.052691%	41,498	576,550	7.2%	61.89%

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

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

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

PARK RIVER AREA SCHOOL DISTRICT NO. 8
Park River, North Dakota
Schedule of District's OPEB Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years*

Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2018	6,704	6,685	19	576,741	1.16%
2019	6,763	6,911	(148)	576,550	1.20%

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

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

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

NOTE 1 BUDGETS

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

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

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

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

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

NOTE 2 PENSIONS

A. ***North Dakota Public Employees Retirement System***

Changes of Benefit Terms

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

Changes of assumptions.

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

B. ***North Dakota Teachers' Fund for Retirement***

Changes of Benefit Terms

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

Changes of Assumptions

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

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

C. *<u>Other Post Employment Benefit</u>*

Changes of Benefit Terms

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

Changes of assumptions.

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

SUPPLEMENTARY INFORMATION

PARK RIVER AREA SCHOOL DISTRICT NO. 8
Park River, North Dakota
Detailed Statement of Revenue, Expenditures and Changes in Fund Balance - General Fund
Year Ended June 30, 2019

LOCAL SOURCES	
General Property Taxes	897,757.86
Other Tax Revenue	63,938.20
Services Provided Other LEAs	102,970.00
Investment Income	4,491.85
Donations	-
Other Local Sources	13,175.19
Total Local Sources	1,082,333.10
STATE SOURCES	
Per Pupil Aid	3,596,121.19
Transportation Aid	121,491.72
Vocational Aid	4,890.53
Early Childhood Development	12,296.86
Other State Sources	20,482.38
Total State Sources	3,755,282.68
FEDERAL SOURCES	
Title I	136,007.04
Title II	4,000.00
Title IV ESP	76,231.62
Other Federal Sources	21,415.61
Total Federal Sources	237,654.27
TOTAL REVENUE	5,075,270.05

PARK RIVER AREA SCHOOL DISTRICT NO. 8
Park River, North Dakota
(Cont’d) Detailed Statement of Revenue, Expenditures and Changes in Fund Balance - General Fund
Year Ended June 30, 2019

EXPENDITURES:	
REGULAR INSTRUCTION	
Kindergarten Instruction	126,262.57
Elementary Instruction	1,003,840.70
Junior High Instruction	161,008.19
Senior High English	94,591.66
Senior High Math	163,601.86
Senior High Social Studies	113,190.43
Senior High Music & Phy Ed	86,441.37
Senior High ITV	23,295.50
All Classes Instruction	59,992.56
Total Regular Instruction	1,832,224.84
TUITION	
Elementary Tuition	11,266.45
Junior High Tuition	-
Senior High Tuition	4,037.46
Total Tuition	15,303.91
SPECIAL EDUCATION PROGRAMS	
Special Ed Tuition Assessment	472,638.78
Special Programs	56,545.67
Learning Disables	176,655.44
Total Special Education Programs	705,839.89
CAREER AND TECHNICAL EDUCATION PROGRAMS	
Vocational Agriculture	23,127.30
Vocational Family & Consumer Science	52,335.55
Vocational Programs Tuition	85,368.00
Vocational Transportation	13,024.41
Total Vocational Education	173,855.26
FEDERAL PROGRAMS	
Title I Programs	33,869.07
Title I Federal	128,362.00
Title 1 Reallocated	11,645.04
Title IV 21st Century (ESP)	76,231.62
Other Federal Programs	3,704.00
Total Federal Programs	253,811.73

PARK RIVER AREA SCHOOL DISTRICT NO. 8
Park River, North Dakota
(Cont'd) Detailed Statement of Revenue, Expenditures and Changes in Fund Balance - General Fund
Year Ended June 30, 2019

EXPENDITURES CONT'D:	
STUDENT SUPPORT SERVICES	
Counseling Services	215,598.32
Instructional Staff	
Instructional Staff Tuition Assistance	15,385.46
School Library Services	79,028.18
City Library	1,088.20
Other Support Services	56,593.10
General Administration	
School Board	55,721.44
Election Services	400.00
Superintendent	185,294.24
School Administration	
Principal	266,307.05
Support Services - Business	66,644.59
Operation & Maintenance of Plant	503,675.86
Student Transportation	230,408.24
Central Support Services	1,835.21
Total Student Support Services	1,677,979.89
OTHER PROGRAMS	
Community Services Preschool	91,310.04
Student Activities Instruction	215,109.77
Summer School	8,621.40
Drivers Ed	5,845.23
Total Other Programs	320,886.44
CAPITAL OUTLAY:	
Capital Outlay	154,701.34
TOTAL EXPENSES	5,134,603.30
Excess Revenue over (under) Expenses before Interfund Transfers	(59,333.25)
OTHER FINANCING SOURCES (USES)	
Sale of Fixed Assets	400.00
Interfund Transfers In	38,256.11
Interfund Transfers (Out)	(113,563.06)
Total Other Financing Sources (Uses)	(74,906.95)
Net Change in Fund Balance	(134,240.20)
Fund balance - July 1	1,129,828.39
Fund balance - June 30	995,588.19

MORTENSON RYGH
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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
Park River Area School District No. 8

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Park River Area School District No. 8, Park River, North Dakota, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the school district's basic financial statements and have issued our report thereon dated December 20, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Park River Area School District No. 8's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control. Accordingly, we do not express an opinion on the effectiveness of school district's internal control.

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

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

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817 3rd Street, FM Mall, Langdon, ND 58249, (701) 256-3559
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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider deficiency 2019-2, as described in the accompanying schedule of findings and questioned costs, to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Park River Area School District No. 8'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*.

Park River Area School District No 8's's Response to Findings

Park River Area School District No. 8's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The school district's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Mortenson & Rygh

Mortenson & Rygh
Certified Public Accountants
Park River, North Dakota
December 20, 2018

PARK RIVER AREA SCHOOL DISTRICT NO. 8
Park River, North Dakota
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2019

FINDINGS RELATED TO INTERNAL CONTROL OVER FINANCIAL REPORTING:

2019-1 Segregation of Duties

Condition
The Park River Area School District No. 8, Park River, North Dakota has a lack of segregation of duties due to the limited number of office personnel. The school district has one bookkeeper responsible for most accounting functions and general ledger maintenance.

Criteria
The guidance relating to internal control is contained in Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This framework includes discussions about the importance of adequate risk assessment, code of conduct, and background investigations. Proper internal accounting control dictates that sufficient accounting personnel should exist so that incompatible duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the Park River Area School District No. 8.

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

Recommendation
If at any time it becomes economically feasible and appropriate to add sufficient staff to segregate duties, we recommend that the school district do so. We further recommend that the district implement any controls possible to separate the function of approval, posting of transactions, reconciliation, and custody of assets.

Client Response
No response is considered necessary.

2019-2 Financial Statement Preparation

Condition

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

Criteria

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

Effect

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

Recommendation

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

Client Response

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