Financial Statements
June 30, 2020 and 2019

Center-Stanton Public School District No. 1

eidebailly.com

Loren Henke	Board President
Cynthia Berger	Board Member
Wayne Windhorst	Board Member
Raymond Hall	Board Member
Richard Schmidt	Board Member
Tracy Peterson	Superintendent
Jacob Erhardt	Business Manager

Independent Auditor's Report

School Board
Center-Stanton Public School District No. 1
Center, North Dakota

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Center-Stanton Public School District, Center, North Dakota (School District), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Center-Stanton Public School District, as of June 30, 2020 and 2019, and the respective changes in financial position for the years 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 schedules, schedule of changes in the School District's total OPEB liability and related ratios, schedule of employer's share of net pension liability, and schedule of employer's contributions on pages 49-55 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 Center-Stanton Public School District's financial statements. The School District Officials listing is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2021 on our consideration of Center-Stanton Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 Center-Stanton Public School District's internal control over financial reporting and compliance.

Eide Bailly LLP

Bismarck, North Dakota
January 27, 2021

	Governmental Activities
Assets	
Cash and investments	$ 453,247
Taxes receivable	138,307
Intergovernmental receivables	273,851
Capital assets, not being depreciated	
Land	376,000
Capital assets, net of accumulated depreciation	
Buildings	1,292,873
Site improvements	334,383
Fixtures	31,466
Vehicles	217,066
Equipment	6,068
Total capital assets	2,257,856
Total assets	3,123,261
Deferred Outflows of Resources	
Other post-employment benefits	6,836
Pension plans	612,846
Total deferred outflows	619,682
Liabilities	
Accounts payable	9,877
Accrued liabilities	2,280
Long-term liabilities	
Due within one year	
Capital lease payable	17,849
Tax-exempt note payable	62,187
Housing incentives payable	8,042
Compensated absences	9,390
Due after one year	
Capital lease payable	61,546
Tax-exempt note payable	212,892
Housing incentives payable	1,999
Compensated absences	48,858
Other post-employment benefits	19,923
Net pension liability	3,426,683
Total liabilities	3,881,526
Deferred Inflows of Resources	
Other post-employment benefits	1,528
Pension plans	387,769
Total deferred inflows	389,297
Net Position	
Net investment in capital assets	1,903,382
Unrestricted	(2,444,597)
Total net position	$ (527,880)

	Governmental Activities
Assets	
Cash and investments	$ 534,525
Taxes receivable	126,600
Intergovernmental receivables	154,721
Capital assets, not being depreciated	
Land	376,000
Capital assets, net of accumulated depreciation	
Buildings	1,328,587
Site improvements	398,664
Fixtures	46,669
Vehicles	191,456
Equipment	27,157
Total capital assets	2,368,533
Total assets	3,184,379
Deferred Outflows of Resources	
Other post-employment benefits	6,194
Pension plans	696,928
Total deferred outflows of resources	703,122
Liabilities	
Accounts payable	49,157
Accrued liabilities	3,139
Long-term liabilities	
Due within one year	
Tax-exempt note payable	60,135
Housing incentives payable	3,006
Compensated absences	8,450
Due after one year	
Tax-exempt note payable	275,079
Housing incentives payable	10,005
Compensated absences	42,132
Other post-employment benefits	20,318
Net pension liability	3,545,259
Total liabilities	4,016,680
Deferred Inflows of Resources	
Other post-employment benefits	1,037
Pension plans	192,201
Total deferred inflows of resources	193,238
Net Position	
Net investment in capital assets	2,033,319
Unrestricted	(2,355,736)
Total Net Position	$ (322,417)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Regular instruction	$ 2,308,290	$ 21,785	$ 1,584	$ (2,284,921)
Federal programs	231,611	-	231,289	(322)
Vocational education	99,679	-	26,617	(73,062)
District wide services	36,333	-	-	(36,333)
Administration	279,519	-	-	(279,519)
Operations and maintenance	602,466	-	-	(602,466)
Student transportation	248,970	-	140,936	(108,034)
Student activities	175,631	-	-	(175,631)
Community services	37,626	-	-	(37,626)
Food services	212,501	64,638	96,930	(50,933)
Interest expense	30,748	-	-	(30,748)
Total governmental activities	$ 4,263,374	$ 86,423	$ 497,356	(3,679,595)

General Revenues	
Taxes	
Property taxes; levied for general purposes	913,618
Property taxes; levied for building purposes	55,731
Coal severance and conversion taxes	300,051
Telecommunications and financial institution taxes	21,993
State aid - not restricted to specific program	2,148,856
Earnings on investments	2,982
Miscellaneous revenue	30,901
Total General Revenues	3,474,132
Change in Net Position	(205,463)
Net Position - Beginning	(322,417)
Net Position - Ending	$ (527,880)

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	
Regular instruction	$ 2,410,876	$ 16,756	$ 683	$ (2,393,437)
Federal programs	255,700	-	215,374	(40,326)
Vocational education	94,363	-	23,994	(70,369)
District wide services	46,198	-	-	(46,198)
Administration	281,652	-	-	(281,652)
Operations and maintenance	689,269	-	-	(689,269)
Student transportation	266,109	-	126,914	(139,195)
Student activities	163,893	-	-	(163,893)
Community services	37,238	-	-	(37,238)
Tuition	23,590	-	-	(23,590)
Food services	178,304	81,460	44,294	(52,550)
Interest expense	30,748	-	-	(30,748)
Total governmental activities	$ 4,477,940	$ 98,216	$ 411,259	(3,968,465)

General Revenues	
Taxes	
Property taxes; levied for general purposes	831,479
Property taxes; levied for building purposes	48,416
Coal severance and conversion taxes	272,168
Telecommunications and financial institution taxes	20,926
State aid - not restricted to specific program	1,965,907
Earnings on investments	1,704
Miscellaneous revenue	21,948
Total General Revenues	3,162,548
Change in Net Position	(805,917)
Net Position - Beginning	483,500
Net Position - Ending	$ (322,417)

	General	Building	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	$ 417,539	$ 27,587	$ 8,121	$ 453,247
Taxes receivable	119,883	18,424	-	138,307
Intergovernmental receivables	262,741	174	10,936	273,851
Total assets	$ 800,163	$ 46,185	$ 19,057	$ 865,405
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	$ 9,877	$ -	$ -	$ 9,877
Accrued liabilities	2,280	-	-	2,280
Total liabilities	12,157	-	-	12,157
Deferred Inflows of Resources				
Unavailable revenue - property taxes	119,883	18,424	-	138,307
Fund balances				
Restricted for:				
Food Services	-	-	13,335	13,335
Committed for:				
Housing incentives	10,041	-	-	10,041
Food services	-	-	5,722	5,722
Assigned for:				
Building fund	-	27,761	-	27,761
Unassigned	658,082	-	-	658,082
Total fund balances	668,123	27,761	19,057	714,941
Total liabilities, deferred inflows of resources, and fund balances	$ 800,163	$ 46,185	$ 19,057	$ 865,405

	General	Building	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	$ 413,806	$ 105,067	$ 15,652	$ 534,525
Taxes receivable	112,063	14,537	-	126,600
Intergovernmental receivables	154,544	156	21	154,721
Total assets	$ 680,413	$ 119,760	$ 15,673	$ 815,846
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	$ 5,705	$ 43,452	$ -	$ 49,157
Accrued liabilities	3,139	-	-	3,139
Total liabilities	8,844	43,452	-	52,296
Deferred Inflows of Resources				
Unavailable revenue -property taxes	112,063	14,537	-	126,600
Fund balances				
Committed for:				
Housing incentives	13,011	-	-	13,011
Food services	-	-	15,673	15,673
Assigned for:				
Building fund	-	61,771	-	61,771
Unassigned	546,495	-	-	546,495
Total fund balances	559,506	61,771	15,673	636,950
Total liabilities, deferred inflows of resources, and fund balances	$ 680,413	$ 119,760	$ 15,673	$ 815,846

Total fund balances for governmental funds		$ 714,941
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds		
Cost of capital assets	$ 4,660,706	
Less accumulated depreciation	(2,402,850)	
Net capital assets		2,257,856
Property taxes 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 revenue in the funds		138,307
Deferred outflows and inflows of resources related to pensions are applicable to future periods, and therefore, are not reported in the funds.		
Deferred inflows of resources	$ (387,769)	
Deferred outflows of resources	612,846	
Net deferred inflows and outflows		225,077
Deferred outflows and inflows of resources related to pensions are applicable to future periods, and therefore, are not reported in the funds.		
Deferred inflows of resources	$ (1,528)	
Deferred outflows of resources	6,836	
Net deferred inflows and outflows		5,308
Long-term liabilities applicable to the School District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term are reported in the statement of net position.		
Balances at June 30, 2020 are:		
Other post-employment benefits	$ (19,923)	
Net pension liability	(3,426,683)	
Capital lease payable	(79,395)	
Tax-exempt note payable	(275,079)	
Housing incentives payable	(10,041)	
Compensated absences	(58,248)	
Total long-term liabilities		(3,869,369)
Total net position of governmental activities		$ (527,880)

Total fund balances for governmental funds		$ 636,950
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds		
Cost of capital assets	$ 4,581,311	
Less accumulated depreciation	(2,212,778)	
Net capital assets		2,368,533
Property taxes 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 revenue in the funds		126,600
Deferred outflows and inflows of resources related to pensions are applicable to future periods, and therefore, are not reported in the funds.		
Deferred inflows of resources	$ (192,201)	
Deferred outflows of resources	696,928	
Net deferred inflows and outflows		504,727
Deferred outflows and inflows of resources related to pensions are applicable to future periods, and therefore, are not reported in the funds.		
Deferred inflows of resources	$ (1,037)	
Deferred outflows of resources	6,194	
Net deferred inflows and outflows		5,157
Long-term liabilities applicable to the School District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term are reported in the statement of net position.		
Balances at June 30, 2019 are:		
Other post-employment benefits	$ (20,318)	
Net pension liability	(3,545,259)	
Tax-exempt note payable	(335,214)	
Housing incentives payable	(13,011)	
Compensated absences	(50,582)	
Total long-term liabilities		(3,964,384)
Total net position of governmental activities		$ (322,417)

	General	Building	Other Governmental Funds	Total Governmental Funds
Revenues				
Local sources	$ 976,812	$ 56,226	$ 65,049	$ 1,098,087
County sources	301,771	-	-	301,771
State sources	2,327,931	-	-	2,327,931
Federal sources	221,351	-	96,930	318,281
Other sources	134	-	-	134
Total revenues	3,827,999	56,226	161,979	4,046,204
Expenditures				
Current				
Regular instruction	2,140,096	-	-	2,140,096
Federal programs	231,611	-	-	231,611
Vocational education	99,679	-	-	99,679
District wide services	36,333	-	-	36,333
Administration	282,489	-	-	282,489
Operations and maintenance	376,895	90,236	-	467,131
Student transportation	195,185	-	-	195,185
Student activities	175,631	-	-	175,631
Community services	37,626	-	-	37,626
Food services	127,954	-	83,595	211,549
Capital outlay	79,395	-	-	79,395
Debt service				
Principal	60,135	-	-	60,135
Interest	30,748	-	-	30,748
Total expenditures	3,873,777	90,236	83,595	4,047,608
Excess of revenues over (under) expenditures	(45,778)	(34,010)	78,384	(1,404)
Other financing sources (uses)				
Acquisition under capital lease	79,395	-	-	79,395
Transfers in	75,000	-	-	75,000
Transfers out	-	-	(75,000)	(75,000)
Total other financing sources (uses)	154,395	-	(75,000)	79,395
Net change in fund balances	108,617	(34,010)	3,384	77,991
Fund balance - Beginning	559,506	61,771	15,673	636,950
Fund balance - Ending	$ 668,123	$ 27,761	$ 19,057	$ 714,941

	General	Building	Other Governmental Funds	Total Governmental Funds
Revenues				
Local sources	$ 847,441	$ 50,645	$ 81,483	$ 979,569
County sources	272,691	-	-	272,691
State sources	2,126,123	-	-	2,126,123
Federal sources	206,749	-	44,294	251,043
Other sources	394	-	-	394
Total revenues	3,453,398	50,645	125,777	3,629,820
Expenditures				
Current				
Regular instruction	2,083,908	-	-	2,083,908
Federal programs	255,700	-	-	255,700
Vocational education	94,363	-	-	94,363
District wide services	46,198	-	-	46,198
Administration	278,652	-	-	278,652
Operations and maintenance	323,624	205,788	-	529,412
Student transportation	219,345	-	-	219,345
Student activities	163,893	-	-	163,893
Community services	37,238	-	-	37,238
Tuition	23,590	-	-	23,590
Food services	103,730	-	70,766	174,496
Capital outlay	21,579	-	-	21,579
Debt service				
Principal	58,151	-	-	58,151
Interest	30,748	-	-	30,748
Total expenditures	3,740,719	205,788	70,766	4,017,273
Excess of revenues over (under) expenditures	(287,321)	(155,143)	55,011	(387,453)
Other financing sources (uses)				
Transfers in	105,000	-	-	105,000
Transfers out	-	-	(105,000)	(105,000)
Total other financing sources (uses)	105,000	-	(105,000)	-
Net change in fund balances	(182,321)	(155,143)	(49,989)	(387,453)
Fund balance - Beginning	741,827	216,914	65,662	1,024,403
Fund balance - Ending	$ 559,506	$ 61,771	$ 15,673	$ 636,950

Net change in fund balances - total governmental funds		$ 77,991
The change in net position reported for governmental activities in the statement of activities is different because		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year.		
Current year capital outlay	$ 79,395	
Current year depreciation expense	(190,072)	
		(110,677)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		60,135
In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.		(161,074)
In the statement of activities the cost of other post-employment benefits earned net of employee contributions is reported as post-employment expense. In the governmental funds, however, the contributions are reported as expense.		546
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds		
Net decrease in housing incentives payable	$ 2,970	
Net increase in compensated absences	(7,666)	
		(4,696)
Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the net increase in taxes receivable.		11,707
General capital asset acquisitions under capital leases are reported as other financing sources in the governmental funds. This amount is the difference in treatment of capital lease acquisitions.		(79,395)
Change in net position of governmental activities		$ (205,463)

Net change in fund balances - total governmental funds		$ (387,453)
The change in net position reported for governmental activities in the statement of activities is different because		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year.		
Current year capital outlay	$ 21,579	
Current year depreciation expense	(210,429)	
		(188,850)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		58,151
In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.		(321,468)
In the statement of activities the cost of other post-employment benefits earned net of employee contributions is reported as post-employement expense. In the government funds, however, the contributions are reported as expense.		451
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds		
Net increase in housing incentives payable	$ (3,000)	
Net increase in compensated absences	(5,951)	
		(8,951)
Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the net increase in taxes receivable.		42,203
Change in net position of governmental activities		$ (805,917)

	Agency Fund
Assets	
Cash	$ 71,733
Liabilities	
Due to student activities groups	$ 71,733

	Agency Fund
Assets	
Cash	$ 69,122
Liabilities	
Due to student activities groups	$ 69,122

Note 1 - Summary of Significant Accounting Policies

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

Financial Reporting Entity

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

Based on these criteria, there are no component units to be included within the Center-Stanton Public School District No. 1 as a reporting entity.

Basis of Presentation

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the primary government, Center-Stanton Public School District No. 1. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

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

The School District reports the following major governmental funds:

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

Building Fund – This is the School District's fund used for major capital asset projects.

The School District reports the following fiduciary fund type:

Agency Fund – This fund accounts for assets held by the School District in a custodial capacity as an agent on behalf of others. The School District's agency fund is used to account for various deposits of the student activity funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

Investments consist of certificates of deposit stated at cost plus interest earned.

Receivables

All receivables are show net of any allowance for uncollectibles. No allowances for uncollectibles have been recorded. The only receivables not expected to be collected within one year are property taxes receivable.

Capital Assets

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

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

Buildings	70 years
Site improvements	10 years
Fixtures	5 years
Vehicles	10 years
Equipment	7-10 years

Compensated Absences

Vested or accumulated sick leave and personal leave is reported in the government-wide statement of net position. Compensation for unused sick leave will be granted to all certified employees and administrators upon termination after 1 or more years of service. The School District's personnel policy requires a payout of $30 for each day up to a maximum of 80 days for accumulated sick leave for certified employees and administrators. During the year ended June 30, 2016 the maximum for sick leave days to be paid out increased to 100 days. Ancillary employees are paid at a rate of $20 for each day up to a maximum of 20 days for accumulated sick leave. Accumulated personal leave is paid out at the substitute rate of pay up to a maximum of 6 days.

Housing Incentives Payable

Housing incentives payable are reported in the government-wide statement of net position. Teachers who work for the School District will receive the incentive if they are eligible after five years. The payable is based on management's estimate of the teachers who will remain employed with the School District and earn the incentive.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are recognized in the current period since the amounts are not material. Issuance costs are also recognized in the current period.

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to 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.

Other Postemployment Benefits

Other Postemployment 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.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The School District reports the contributions made to pension plans and other postemployment benefit plans after the measurement date and prior to the fiscal year-end, and changes in the net pension liability not included in pension expense reported in the government-wide statement of net position as deferred outflows of resources.

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category. The District reports unavailable revenues from property taxes on the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is changes in the net pension liability and other postemployment benefits liability not included in pension expense reported in the government-wide statement of net position.

Fund Balance Classification Policies and Procedures

In accordance with Governmental Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the School District classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by management.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The School District uses *restricted* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the School District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Interfund Transactions

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

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

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Net Position

Net Position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgage, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation. Unrestricted net position consists of all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Note 2 - Deposits and Investments

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

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

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

At June 30, 2020, the bank balance of deposits was $774,264 and the carrying amount of deposits was $524,980, which consisted of School District deposits of $453,247 and agency fund deposits of $71,733. Of the bank balance, $250,000 was covered by Federal Depository Insurance. The remaining balance was collateralized with securities held by the pledging financial institution’s agent in the government’s name and an irrevocable standby letter of credit in the government’s name.

At June 30, 2019, the bank balance of deposits was $810,751 and the carrying amount of deposits was $603,647, which consisted of School District deposits of $534,525 and agency fund deposits of $69,122. Of the bank balance, $250,000 was covered by Federal Depository Insurance. The remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name and an irrevocable standby letter of credit in the government's name.

Credit Risk

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

1. Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities or organizations created by an act of Congress.

2. 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.

3. Certificates of deposit fully insured by the federal deposit insurance corporation.

4. Obligations of the State.

At June 30, 2020 and 2019, the School District held certificates of deposit in the amount of $272,366 and $273,701, respectively, all of which are considered deposits. The certificates of deposit mature in less than one year.

Concentration of Credit Risk

The School District does not have a limit on the amount the School District may invest in any one issuer.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The School District does not have a written investment policy covering interest rate risk.

Note 3 - Taxes Receivable

Taxes receivable represent the past three years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes receivable.

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material tax collections are distributed after the end of each month.

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 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.

Note 4 - Intergovernmental Receivables

Intergovernmental receivables consist of reimbursements due for expense in the operation of various school programs. This amount consists of a mix of state and federal dollars.

Note 5 - Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2020:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Capital assets not being depreciated				
Land	$ 376,000	$ -	$ -	$ 376,000
Capital assets being depreciated				
Buildings	2,500,000	-	-	2,500,000
Site improvements	642,812	-	-	642,812
Fixtures	199,321	-	-	199,321
Vehicles	601,351	79,395	-	680,746
Equipment	261,827	-	-	261,827
Total capital assets being depreciated	4,205,311	79,395	-	4,284,706
Less accumulated depreciation for				
Buildings	1,171,413	35,714	-	1,207,127
Site improvements	244,148	64,281	-	308,429
Fixtures	152,652	15,203	-	167,855
Vehicles	409,895	53,785	-	463,680
Equipment	234,670	21,089	-	255,759
Total accumulated depreciation	2,212,778	190,072	-	2,402,850
Total capital assets being depreciated, net	1,992,533	(110,677)	-	1,881,856
Governmental type activity capital assets, net	$ 2,368,533	$ (110,677)	$ -	$ 2,257,856

Depreciation expense was charged to functions/programs of the School District as follows for the year ended June 30, 2020:

	Amounts
Operations and maintenance	$ 135,335
Student transportation	53,785
Food services	952
Total depreciation expense	$ 190,072

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

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Capital assets not being depreciated				
Land	$ 376,000	$ -	$ -	$ 376,000
Capital assets being depreciated				
Buildings	2,500,000	-	-	2,500,000
Site improvements	642,812	-	-	642,812
Fixtures	199,321	-	-	199,321
Vehicles	579,772	21,579	-	601,351
Equipment	261,827	-	-	261,827
Total capital assets being depreciated	4,183,732	21,579	-	4,205,311
Less accumulated depreciation for				
Buildings	1,135,697	35,716	-	1,171,413
Site improvements	182,472	61,676	-	244,148
Fixtures	120,692	31,960	-	152,652
Vehicles	363,131	46,764	-	409,895
Equipment	200,357	34,313	-	234,670
Total accumulated depreciation	2,002,349	210,429	-	2,212,778
Total capital assets being depreciated, net	2,181,383	(188,850)	-	1,992,533
Governmental type activity capital assets, net	$ 2,557,383	$ (188,850)	$ -	$ 2,368,533

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

	Amounts
Operations and maintenance	$ 159,857
Student transportation	46,764
Food services	3,808
Total depreciation expense	$ 210,429

Note 6 - Long-Term Liabilities

The following is a summary of long-term liability activity for the year ended June 30, 2020:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Due Within One Year
Capital lease payable	$ -	$ 79,395	$ -	$ 79,395	$ 17,849
Tax-exempt note payable	335,214	-	60,135	275,079	62,187
Housing incentives payable	13,011	4,039	7,009	10,041	8,042
Compensated absences	50,582	12,236	4,570	58,248	9,390
Total	$ 398,807	$ 95,670	$ 71,714	$ 422,763	$ 97,468

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

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Due Within One Year
Tax-exempt note payable	$ 393,365	$ -	$ 58,151	$ 335,214	$ 60,135
Housing incentives payable	10,011	3,000	-	13,011	3,006
Compensated absences	44,631	11,379	5,428	50,582	8,450
Total	$ 448,007	$ 14,379	$ 63,579	$ 398,807	$ 71,591

Tax-Exempt Note Payable

A tax-exempt note payable was entered into for financing energy conservation measures. The District entered into this note payable during February 2014. The note is due in annual installments of $86,980 maturing in February 2025. The total amount that can be drawn on the tax-exempt note is $1,058,909; however, the District as of June 30, 2020 and 2019 had an outstanding balance as follows:

Purpose	Interest Rates	2020	2019
Energy Conservation Measures	3.36%	$ 275,079	$ 335,214
		$ 275,079	$ 335,214

Maturity of the tax-exempt note payable is as follows:

Year Ending June 30	Principal	Interest
2021	$ 62,187	$ 24,793
2022	64,309	22,671
2023	66,503	20,476
2024	68,772	18,207
2025	13,308	15,861
Total	$ 275,079	$ 136,076

The tax-exempt note payable is liquidated by the general fund.

Housing Incentives Payable

The District has a housing incentive program for teachers in which they set aside $2,000 per year for five years and eligible teachers will receive the incentive at the end of the five-year period. Teachers are eligible to receive the full incentive of $10,000 plus accrued interest if at the end of the five years, the teacher owns his or her home in the District. Teachers can also be eligible for half of the incentive if they live in the District and rent housing or if they are not living in the District but send his/her child to the School District for five years. If the teacher does not meet the eligibility requirements at the end of the five-year period, the money that was contributed to the housing incentive fund and the interest will not be paid out and will become available for other spending purposes of the District.

The annual requirements to amortize the housing incentives payable are as follows:

Year Ending June 30	Principal
2021	$ 8,042
2022	-
2023	1,999
Total	$ 10,041

Capital Lease Payable

Capital lease payable is to account for a school bus that the District has entered into a lease for and is considered a capital asset to the District. Total cost of the capital lease asset as of June 30, 2020 was $79,395 and total accumulated depreciation on this asset as of June 30, 2020 was $7,228. Payments on capital leases are made out of the general fund.

During the year ended June 30, 2020, the District entered into a capital lease agreement to finance the purchase of a school bus. The bus lease bears an interest rate of 3.97% and calls for annual payments of $17,849 consisting of principal and interest commencing August 2020 through August 2024.

The following is a summary of capital leases payable as of June 30, 2020:

Asset	Final	Interest Rate	Original Principal	Outstanding Balance
2020 IC CE Bus	2024	3.97%	$ 79,395	$ 79,395

Payments on the capital lease payable are as follows:

Year Ending June 30	Principal
2021	$ 17,849
2022	17,849
2023	17,849
2024	17,849
2025	7,999
Total	$ 79,395

Note 7 - Risk Management

The Center-Stanton Public School District No. 1 is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Liability Insurance

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The School District pays an annual premium for its general liability, automobile and public assets insurance coverage. The coverage by NDIRF is limited to losses of $2,000,000 per occurrence for general liability and automobile; and $43,600 for public assets.

The School District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The School District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of $1,000,000 per occurrence during a 12-month period. The State Bonding Fund currently provides the School District with a blanket fidelity bond coverage in the amount of $1,100,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

Worker's Compensation

The School District has worker's compensation with the Department of Workforce Safety and Insurance; and purchases commercial insurance for employee health, dental and vision insurance. Employees who elect health insurance coverage through the School District also receive life insurance coverage.

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

Note 8 - Pension Plans

North Dakota Teachers Fund for Retirement

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

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

At June 30, 2020 and 2019, the District reported a liability of $3,114,795 and $3,081,538, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2019, the District's proportion was 0.226160 percent, which was a decrease of 0.005038 percent from its proportion of 0.231198 percent as of July 1, 2018.

For the year ended June 30, 2020 and 2019, the District recognized pension expense of $336,108 and $277,930, respectively. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2020		June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,448	$ 112,414	$ 8,364	$ 83,809
Changes of assumptions	110,705	-	169,757	-
Net difference between projected and actual investment earnings on pension plan investments	43,844	-	-	10,654
Changes in proportion and differences between employer contributions and District's proportionate share of contri	90,525	99,156	111,556	56,699
District's contributions to TFFR subsequent to the measurement date	207,750		202,002	
Total	$ 457,272	$ 211,570	$ 491,679	$ 151,162

$207,750 and $202,002 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021 and 2020, respectively.

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

Years Ended June 30,	Pension Expense Amount
2021	$ 71,946
2022	(1,983)
2023	(16,223)
2024	10,927
2025	(9,794)
Thereafter	(16,921)
	$ 37,952

Actuarial Assumptions

The total pension liability in the July 1, 2019 and 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Assumptions	June 30, 2020	June 30, 2019
Inflation	2.75%	2.75%
Salary Increases	4.25% to 14.50%, varying by service, including inflation and productivity	4.25% to 14.50%, varying by service, including inflation and productivity
Investment Rate of Return	7.75%, net of investment expenses	7.75%, net of investment expenses
Cost-of-living adjustments	None	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, 2019, 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:

	June 30, 2020		June 30, 2019	
Asset Class	Target Allocations	Long-Term Expected Real Rate of Return	Target Allocations	Long-Term Expected Real Rate of Return
Global Equities	58%	6.90%	58%	6.70%
Global Fixed Income	23%	2.10%	23%	1.50%
Global Real Assets	18%	5.40%	18%	5.10%
Cash Equivalents	1%	0.00%	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.75% and 7.75% as of June 30, 2019 and 2018, respectively. 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, 2019 and 2018, Actuarial Valuation Report, respectively. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2019 and 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 and 2018, respectively.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent at June 30, 2019 and 7.75 percent at June 30, 2018, 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 or 1-percentage-point higher than the current rate:

	June 30, 2020		
	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
TFFR discount rate	6.75%	7.75%	8.75%
District's proportionate share of the TFFR net pension liability	$ 4,206,562	$ 3,114,795	$ 2,207,508

	June 30, 2019		
	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
TFFR discount rate	6.75%	7.75%	8.75%
District's proportionate share of the TFFR net pension liability	$ 4,160,968	$ 3,081,538	$ 2,183,788

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.

North Dakota Public Employees' Retirement System

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

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public 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, 2020 and 2019, the District reported a liability of $311,888 and $463,721, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2019, the District's proportion was 0.026610 percent, an decrease of 0.000868 from its proportion of 0.027478 percent measured as of June 30, 2018.

For the year ended June 30, 2020 and 2019, the District recognized pension expense of $53,176 and $74,838, respectively. At June 30, 2020 and 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2020		June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 185	$ 56,602	$ 1,228	$ 15,777
Changes of assumptions	116,545	100,064	167,394	6,619
Net difference between projected and actual investment earnings on pension plan investments	5,434	-	-	2,256
Changes in proportion and differences between employer contributions and District's proportionate share of contributions	13,236	19,533	17,490	16,387
District's contributions to PERS subsequent to the measurement date	20,174		19,137	
Total	$ 155,574	$ 176,199	$ 205,249	$ 41,039

$20,174 and $19,137 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021 and 2020, respectively.

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

Years Ended June 30,	Pension Expense Amount
2021	$ 6,769
2022	1,053
2023	(9,641)
2024	(29,487)
2025	(9,493)
	$ (40,799)

Actuarial Assumptions

The total pension liability in the July 1, 2019 and 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Assumptions	June 30, 2020	June 30, 2019
Inflation	2.50%	2.50%
Salary Increases	4.00 % to 20% inlcuding inflation	4.00 % to 20% inlcuding inflation
Investment Rate of Return	7.75%, net of investment expenses	7.75%, net of investment expenses
Cost-of-living adjustments	None	None

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

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

	June 30, 2020		June 30, 2019	
Asset Class	Target Allocations	Long-Term Expected Real Rate of Return	Target Allocations	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.30%	30%	6.05%
International Equity	21%	6.93%	21%	6.71%
Private Equity	7%	10.15%	7%	10.20%
Domestic Fixed Income	23%	2.10%	23%	1.45%
Global Real Assets	19%	5.41%	19%	5.11%
Cash Equivalents	0%	0.25%	N/A	N/A

Discount Rate

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

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

The pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.13%; and the resulting Single Discount Rate is 7.50% as of June 30, 2019.

The discount rate used to measure the total pension liability was 7.50 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 June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2018.

Sensitivity of the 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 7.50 percent as of June 30, 2020 and 6.32 percent as of June 30, 2019, 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate as of June 30, 2020, and 1-percentage-point lower (5.32 percent) or 1-percentage-point higher (7.32 percent) than the current rate as of June 30, 2019:

	June 30, 2020		
	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
PERS discount rate	6.50%	7.50%	8.50%
District’s proportionate share of the PERS net pension liability	$ 447,181	$ 311,888	$ 198,219

	June 30, 2019		
	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
PERS discount rate	5.32%	6.32%	7.32%
District’s proportionate share of the PERS net pension liability	$ 630,111	$ 463,721	$ 324,874

Pension Plan Fiduciary Net Position

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

Note 9 - Other Postemployment Benefits

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, 2020 and 2019, the Employer reported a liability of $19,923 and $20,318, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019 and 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. At June 30, 2019, the Employer's proportion was 0.024805 percent, a decrease of 0.000993 from its proportion of 0.025798 percent measured June 30, 2018.

For the year ended June 30, 2020 and 2019, the Employer recognized OPEB expense of $2,684 and $2,613, respectively. At June 30, 2020 and 2019, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	June 30, 2020		June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 492	$ 622	$ 609	$ 420
Changes of assumptions	2,374	-	1,667	-
Net difference between projected and actual investment earnings on OPEB plan investments	22	-	-	437
Changes in proportion and differences between employer contributions and District's proportionate share of contributions	718	906	854	180
District's contributions subsequent to the measurement date	3,230		3,064	
Total	$ 6,836	$ 1,528	$ 6,194	$ 1,037

$3,230 and $3,064 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, 2021 and 2020, respectively.

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

Years Ended June 30,	OPEB Expense Amount
2021	$ 341
2022	341
2023	527
2024	493
2025	308
Thereafter	68
	$ 2,078

Actuarial Assumptions

The total OPEB liability in the July 1, 2019 and July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Assumptions	June 30, 2020	June 30, 2019
Inflation	2.50%	2.50%
Salary Increases	Not applicable	Not applicable
Investment Rate of Return	7.50%, net of investment expenses	7.50%, net of investment expenses
Cost-of-living adjustments	None	None

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

The long-term expected 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, 2019 and 2018 are summarized in the following table:

	June 30, 2020		June 30, 2019	
Asset Class	Target Allocations	Long-Term Expected Real Rate of Return	Target Allocations	Long-Term Expected Real Rate of Return
Lg Cap Domestic Equities	33%	7.31%	37%	5.80%
Sm Cap Domestic Equities	6%	10.40%	9%	7.05%
International Equities	21%	7.32%	14%	6.20%
U.S. High Yield	4%	6.13%	N/A	N/A
Emerging Markets Debt	4%	7.45%	N/A	N/A
Core-Plus Fixed Income	32%	4.26%	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, 2017, and July 1, 2016, 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, 2019 and 2018, calculated using the discount rate of 7.25% and 7.50%, respectively, 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 or 1-percentage-point higher than the current rate:

	June 30, 2020		
	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
	6.25%	7.25%	8.25%
District's proportionate share of the PERS net OPEB liability	$ 25,429	$ 19,923	$ 15,210

	June 30, 2019		
	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
	6.50%	7.50%	8.50%
District's proportionate share of the PERS net OPEB liability	$ 25,707	$ 20,318	$ 15,698

Note 10 - Lease Commitments

The School District has various operating leases for office equipment. Rent expense totaled $10,968 and $10,952 for the years ended June 30, 2020 and 2019, respectively. Future minimum lease payments under the operating leases at June 30, 2020 are as follows:

Year Ending June 30	Future Payments
2021	$ 7,164
2022	7,164
2023	597
Total	$ 14,925

Note 11 - Transfers

The following shows the transfers in and out for the year ended June 30, 2020:

Fund	Transfer In	Transfer Out
General fund	$ 75,000	$ -
Non-major fund	-	75,000
Total	$ 75,000	$ 75,000

The following shows the transfers in and out for the year ended June 30, 2019:

Fund	Transfer In	Transfer Out
General Fund	$ 105,000	$ -
Non-major fund	-	105,000
Total	$ 105,000	$ 105,000

The transfers above were to move funds from the food service fund to the general fund due to the District having an ending food service fund balance at year end in excess of an internal threshold set up by the District.

Note 12 - Expenditures in Excess of Appropriations

The School District exceeded the budget for expenditures in the General Fund by $9,918 and $5,943 in the years ended June 30, 2020 and 2019, respectively. The expenditures were covered by significant excess revenues from prior years.

Required Supplementary Information
June 30, 2020 and 2019

Center-Stanton Public School District No. 1

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Local sources	$ 1,000,200	$ 1,000,200	$ 976,812	$ (23,388)
County sources	265,000	265,000	301,771	36,771
State sources	2,114,821	2,114,821	2,327,931	213,110
Federal sources	236,825	236,825	221,351	(15,474)
Other sources	50,000	50,000	134	(49,866)
Total revenues	3,666,846	3,666,846	3,827,999	161,153
Expenditures				
Current				
Regular instruction	2,190,918	2,190,918	2,140,096	50,822
Federal programs	233,440	233,440	231,611	1,829
Vocational education	102,405	102,405	99,679	2,726
District wide services	38,300	38,300	36,333	1,967
Administration	296,431	296,431	282,489	13,942
Operations & maintenance	441,973	441,973	376,895	65,078
Student transportation	239,656	239,656	195,185	44,471
Student activities	142,460	142,460	175,631	(33,171)
Community services	38,109	38,109	37,626	483
Tuition and assessments	42,500	42,500	-	42,500
Food services	97,667	97,667	127,954	(30,287)
Capital outlay	-	-	79,395	(79,395)
Debt service		-		
Principal	-	-	60,135	(60,135)
Interest	-	-	30,748	(30,748)
Total expenditures	3,863,859	3,863,859	3,873,777	(9,918)
Excess of revenues over (under) expenditures	(197,013)	(197,013)	(45,778)	151,235
Other financing sources (uses)				
Capital lease	-	-	79,395	79,395
Transfers in	-	-	75,000	75,000
Total other financing sources	-	-	154,395	154,395
Net change in fund balances	(197,013)	(197,013)	108,617	305,630
Fund balance - Beginning	559,506	559,506	559,506	-
Fund balance - Ending	$ 362,493	$ 362,493	$ 668,123	$ 305,630

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Local sources	$ 874,333	$ 874,333	$ 847,441	$ (26,892)
County sources	300,000	300,000	272,691	(27,309)
State sources	2,202,813	2,202,813	2,126,123	(76,690)
Federal sources	285,945	285,945	206,749	(79,196)
Other sources	35,200	35,200	394	(34,806)
Total revenues	3,698,291	3,698,291	3,453,398	(244,893)
Expenditures				
Current		-		
Regular instruction	2,037,202	2,037,202	2,083,908	(46,706)
Federal programs	282,234	282,234	255,700	26,534
Vocational education	99,287	99,287	94,363	4,924
District wide services	44,300	44,300	46,198	(1,898)
Administration	301,792	301,792	278,652	23,140
Operations & maintenance	452,632	452,632	323,624	129,008
Student transportation	200,802	200,802	219,345	(18,543)
Student activities	141,075	141,075	163,893	(22,818)
Community services	37,346	37,346	37,238	108
Tuition and assessments	42,500	42,500	23,590	18,910
Food services	95,606	95,606	103,730	(8,124)
Capital outlay	-	-	21,579	(21,579)
Debt service		-		
Principal	-	-	58,151	(58,151)
Interest	-	-	30,748	(30,748)
Total expenditures	3,734,776	3,734,776	3,740,719	(5,943)
Excess of revenues over (under) expenditures	(36,485)	(36,485)	(287,321)	(250,836)
Other financing sources (uses)				
Transfers in	-	-	105,000	105,000
Net change in fund balances	(36,485)	(36,485)	(182,321)	(145,836)
Fund balance - Beginning	741,827	741,827	741,827	-
Fund balance - Ending	$ 705,342	$ 705,342	$ 559,506	$ (145,836)

Note 13 - Note 1 – Summary of Significant Budget Policies

Based upon available financial information and requests by the governing board, the Business Manager and Superintendent work together to prepare the School District budget. The budget is prepared for the general fund on the modified accrual basis of accounting. The budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year-end.

School District taxes must be levied by the governing board on or before August 15. The taxes levied must be certified to the county auditor immediately following the action of the governing body, or within ten days thereafter (August 25). The governing board may amend its tax levy and budget, but the certification must be filed with the county auditor by October 10. The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.

Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years *

Pension Plan	Measurement Date	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Covered-Employee Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERS	6/30/2014	0.028866%	$ 183,219	$ 243,165	75.35%	77.70%
PERS	6/30/2015	0.028766%	$ 195,604	$ 249,791	78.31%	77.15%
PERS	6/30/2016	0.024603%	$ 239,780	$ 247,944	96.71%	70.46%
PERS	6/30/2017	0.025778%	$ 414,337	$ 263,152	157.45%	61.98%
PERS	6/30/2018	0.027478%	$ 463,721	$ 282,283	164.28%	62.80%
PERS	6/30/2019	0.026610%	$ 311,888	$ 276,787	112.68%	71.66%
TFFR	6/30/2014	0.227371%	$ 2,382,445	$ 1,318,874	180.64%	66.60%
TFFR	6/30/2015	0.230316%	$ 3,012,200	$ 1,416,217	212.69%	62.10%
TFFR	6/30/2016	0.223740%	$ 3,277,926	$ 1,453,696	225.49%	59.20%
TFFR	6/30/2017	0.222268%	$ 3,052,905	$ 1,500,244	203.49%	63.20%
TFFR	6/30/2018	0.231198%	$ 3,081,538	$ 1,571,704	196.06%	65.50%
TFFR	6/30/2019	0.226160%	$ 3,114,795	$ 1,586,576	196.32%	65.50%

*Complete data for this schedule is not available prior to 2014.

Schedule of Employer's Contributions
Last 10 Fiscal Years *

Pension Plan	Fiscal Year Ending	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Statutorily required contribution
PERS	6/30/2015	$ 17,785	$ 17,785	$ -	$ 249,791	7.12%
PERS	6/30/2016	$ 16,734	$ 16,734	$ -	$ 247,944	6.75%
PERS	6/30/2017	$ 17,950	$ 17,950	$ -	$ 263,152	6.82%
PERS	6/30/2018	$ 19,082	$ 19,082	$ -	$ 282,283	6.76%
PERS	6/30/2019	$ 20,792	$ 20,792	$ -	$ 276,787	7.51%
PERS	6/30/2020	$ 20,152	$ 20,152	$ -	$ 283,034	7.12%
TFFR	6/30/2015	$ 180,568	$ 180,568	$ -	$ 1,416,217	12.75%
TFFR	6/30/2016	$ 185,346	$ 185,346	$ -	$ 1,453,696	12.75%
TFFR	6/30/2017	$ 185,346	$ 185,346	$ -	$ 1,500,244	12.35%
TFFR	6/30/2018	$ 191,281	$ 191,281	$ -	$ 1,571,704	12.17%
TFFR	6/30/2019	$ 200,392	$ 200,392	$ -	$ 1,586,576	12.63%
TFFR	6/30/2020	$ 202,288	$ 202,288	$ -	$ 1,586,573	12.75%

*Complete data for this schedule is not available prior to 2014.

Schedule of Employer's Share of Net OPEB Liability
Last 10 Fiscal Years *

Other Post Employment Benefits Plan	Measurement Date	Employer's proportion of the net OPEB liability (asset)	Employer'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 percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
NDRHICF	6/30/2017	0.024324%	$ 19,241	$ 263,152	7.31%	59.78%
NDRHICF	6/30/2018	0.025798%	$ 20,318	$ 282,283	7.20%	61.89%
NDRHICF	6/30/2019	0.024805%	$ 19,923	$ 276,787	7.20%	63.13%

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

Schedule of Employer's Contributions
Last 10 Fiscal Years *

Other Post Employment Benefits Plan	Fiscal Year Ending	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Statutorily required contribution
NDRHICF	6/30/2018	$ 3,059	$ 3,059	$ -	$ 263,152	1.16%
NDRHICF	6/30/2019	$ 3,311	$ 3,311	$ -	$ 282,283	1.17%
NDRHICF	6/30/2020	$ 3,219	$ 3,219	$ -	$ 276,787	1.16%

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

Notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions

Changes of Assumptions

Amounts reported in 2020 reflect actuarial assumption changes effective July 1, 2019 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.

Notes to the Schedule of Employer's Share of Net OPEB Liability and Schedule of Employer's Contributions

Changes of Assumptions

Amounts reported in 2020 reflect actuarial assumption changes effective July 1, 2019 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.

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*

School Board
Center-Stanton Public School District No. 1
Center, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Center-Stanton Public School District No. 1, Center, North Dakota as of and for the years ended June 30, 2020 and 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 January 27, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Center-Stanton Public School District's internal control over financial reporting (internal control) as a basis for designing 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 Center-Stanton Public School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying auditor's comments, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying auditor's comments as items 2020-001, 2020-002 and 2020-03 to be material weaknesses.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the School District's financial statements are free of 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 financial statements. 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*.

Response to Findings
Center-Stanton Public School District No. 1's responses to the findings identified in our audit are described in the School District's Corrective Action Plan. Center-Stanton Public School District No. 1's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

Eide Bailly LLP

Bismarck, North Dakota
January 27, 2021

Current Audit Findings and Recommendations – Financial Statements

2020-001 - Segregation of Duties – Material Weakness

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

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

Effect - Inadequate segregation of duties could adversely affect the District's ability to detect potential material misstatements to the financial statements in a timely period.

Cause - One employee is responsible for collecting monies, depositing monies, issuing checks, sending checks to vendors, recording receipts and disbursements in journals, maintaining the general ledger and preparing financial records.

Recommendation - While we recognize that your office staff may not be large enough to permit complete segregation of duties in all respects for an effective system of internal control, all accounting functions should be reviewed to determine if additional segregation is feasible and to improve efficiency and effectiveness of financial management of the District.

Management's Response - The School District feels that the costs for hiring additional staff would not be significantly beneficial. The School District does currently mitigate this situation by the approval of all checks by action of the School Board. The School District will continue to look for further opportunities to segregate duties.

2020-002 - Recording of Transactions – Material Weakness

Condition - We identified misstatements in the District's financial statements causing us to propose material audit adjustments.

Criteria - A good system of internal accounting control contemplates proper reconcilements of all general ledger accounts.

Effect - Inadequate internal controls over recording of transactions affects the District's ability to detect misstatements in amounts that could be material in relation to the financial statements.

Cause - The transactions were outside of the typical day to day transactions of the School District and were not recorded in accordance with generally accepted accounting principles.

Recommendation - While we recognize that this condition is not unusual for an organization your size, it is important that you be aware of this condition for financial reporting purposes. We recommend you research transactions that are outside of the scope of the typical day to day accounting transactions to ensure all transactions are recorded correctly.

Management’s Response - The School District will review the prior year journal entries to determine training needs with the intent to reduce the overall frequency or number of adjusting journal entries.

2020-003 - Financial Statement Preparation – Material Weakness

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

Criteria - Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements that are materially correct.

Effect - Inadequate controls over financial reporting of the District result in the more than remote likelihood that the District would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

Cause - The District has not trained staff in GASB reporting standards.

Recommendation - While we recognize that this condition is not unusual for an organization your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of the District and changes in reporting requirements.

Management’s Response - No action is planned on the finding. The School District will continue to have the auditors prepare the financial statements; however, the School District has established an internal control policy to document the annual review of the financial statements by the School Board and management.