NEW ISSUE: BOOK-ENTRY ONLY **MOODY'S RATING: "Aa2" (Enhanced)**
(North Dakota School District Credit Enhancement Program)

In the opinion of Bond Counsel, the interest to be paid on the Certificates is not includable in gross income of the recipient for United States or State of North Dakota income tax purposes. See "TAX EXEMPTION" contained herein.

OFFICIAL STATEMENT
$860,000 STATE AID REFUNDING CERTIFICATES OF INDEBTEDNESS, SERIES 2019
UNDERWOOD PUBLIC SCHOOL DISTRICT NO. 8
(Mercer and McLean Counties, North Dakota)

Dated: December 11, 2019 **Principal Due:** August 1, 2020 through 2026

The $860,000 State Aid Refunding Certificates of Indebtedness, Series 2019 (the "Certificates") issued by Underwood Public School District No. 8, North Dakota (the "District") will be issued pursuant to the provisions of Chapter 21-02 of the North Dakota Century Code, for the purpose of (i) refunding the District's equipment lease dated as of July 29, 2011, and (ii) paying the costs associated with the issuance of the Certificates. The Certificates are a valid and binding limited obligation of the Issuer, payable from the State Appropriations to be received from the North Dakota Department of Public Instruction. (see "Security and Source of Payment" herein).

The Certificates will be issued as fully registered Certificates without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Certificates. Individual purchases may be made in book-entry form only, in the principal amount of $5,000 and integral multiples thereof of a single maturity. Purchasers will not receive Certificates representing their interest in the Certificates purchased. Principal of the Certificates, is payable annually on August 1, commencing August 1, 2020, and interest, payable semiannually on each February 1 and August 1 commencing February 1, 2020, at the rates set forth below, will be paid to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Certificates as described herein.

The Certificates will mature on August 1 in the years and amounts as follows:

Year	Principal	Interest Rate	Yield	CUSIP (904435)
2020	$ 120,000	2.000%	1.400%	AW4
2021	120,000	2.000%	1.450%	AX2
2022	120,000	2.000%	1.500%	AY0
2023	120,000	2.000%	1.550%	AZ7

$380,000 1.700% Term Bond due August 1, 2026 Yield 1.720% CUSIP: 904435 BC7

The Certificates are not subject to optional redemption.

BANK QUALIFIED: The Certificates are "Qualified Tax-Exempt Obligations."

LEGAL OPINION: Arntson Stewart Wegner PC, Bismarck, North Dakota

REGISTRAR/PAYING AGENT: Wilmington Trust, N.A., Minneapolis, Minnesota

Northland Securities, Inc. has agreed to purchase the Certificates from the District for an aggregate price of **$858,741.68**. The Certificates will be available for delivery on or about **December 11, 2019**.

The date of this Official Statement is November 22, 2019.

(THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.)

NORTHLAND
SECURITIES

No dealer, broker, salesman or other person has been authorized by the District, the Municipal Advisor or the Underwriters to give any information or to make any representations other than those contained in this Official Statement or the Final Official Statement and, if given or made, such information and representations must not be relied upon as having been authorized by the District, the Municipal Advisor or the Underwriters. This Official Statement or the Final Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there by any sale of the Certificates by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the District and other sources which are believed to be reliable, but it is not to be construed as a representation by the Municipal Advisor or Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement or the Final Official Statement nor any sale made thereafter shall, under any circumstances, create any implication that there has been no change in the affairs of the District or in any other information contained herein, since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE CERTIFICATES, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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Appendix B - Form of Legal Opinion

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INTRODUCTION TO THE OFFICIAL STATEMENT

The following information is furnished solely to provide limited introductory information regarding the $860,000 State Aid Refunding Certificates of Indebtedness, Series 2019 (the "Certificates") issued by Underwood Public School District No. 8, North Dakota (the "District") and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement, including the appendices hereto.

Issuer:	Underwood Public School District No. 8, North Dakota.	
Purpose:	The proceeds of the Certificates will be used to (i) refund on February 1, 2020, the District's equipment lease dated as of July 29, 2011 and (ii) pay the costs associated with the issuance of the Certificates.	
Security:	The Certificates are special limited obligations of the District for the payment of which it pledges its State Appropriations to be received by the District from the North Dakota Department of Public Instruction.	
Dated Date:	December 11, 2019	
Principal Payment:	Principal of the Certificates is payable annually on August 1, of the years 2020 through 2026.	
Interest Payment:	Interest on the Certificates is payable on February 1 and August 1, commencing February 1, 2020.	
Redemption Provisions:	The Certificates are not subject to optional redemption.	
Credit Enhancement:	The District will participate in the North Dakota School District Credit Enhancement Program.	
Denominations:	$5,000 or integral multiples thereof of a single maturity.	
Book-Entry Only:	The Certificates will be issued as book-entry only securities through the Depository Trust Company.	
Record Date:	The 15th day of the month preceding the payment date.	
Form:	The Certificates will be issued in book-entry form only. See "Book-Entry Only System" herein.	
Tax Status:	Generally exempt from federal and state income taxes (see "Tax Exemption" herein). The Certificates are designated as "Qualified Tax-Exempt Obligations."	
Professional Consultants:	*Municipal Advisor:*	PFM Financial Advisors LLC Fargo, North Dakota Minneapolis, Minnesota
	Bond Counsel:	Arntson Stewart Wegner PC Bismarck, North Dakota
	Paying Agent:	Wilmington Trust, N.A. Minneapolis, Minnesota
Delivery:	On or about December 11, 2019	

(1) Preliminary, subject to change.

The information set forth herein has been obtained from the District and other sources which are believed to be reliable, but it is not to be constructed as a representation by the Municipal Advisor or Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement or the Final Official Statement nor any sale made thereafter shall, under any circumstances, create any implication that there has been no change in the affairs of the District or in any other information contained herein, since the date hereof.

Questions regarding the Certificates or the Official Statement can be directed to and additional copies of the Official Statement, the District's audited financial reports and the resolutions awarding the sale of the Certificates may be obtained from PFM Financial Advisors LLC, 50 South Sixth Street, Suite 2250, Minneapolis, Minnesota 55402 (612/338-3535), the District's Municipal Advisor.

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DESCRIPTION OF THE CERTIFICATES

Purpose

The proceeds of the Certificates will be used to (i) refund on February 1, 2020 the District's equipment lease dated as of July 29, 2011 and (ii) pay the costs associated with the issuance of the Certificates.

Authority for Issuance

The Certificates are being issued by the District pursuant to and in full conformity with the Constitution and laws of the State of North Dakota, including Chapter 21-02 of the North Dakota Century Code, as amended, and as authorized by the Bond Resolution adopted by the District on November 19, 2019 (the "Resolution"). The Resolution creates a valid lien on the State Appropriations to be received by the District from the State of North Dakota.

Security and Source of Payment

The Certificates are valid and binding limited obligations of the District, payable from the State Appropriations to be received from the North Dakota Department of Public Instruction pledged under the Resolution.

So long as any of the Certificates are outstanding and unpaid, the Business Manager shall maintain a sinking fund to be designated "Certificates of Indebtedness, Series 2019 Fund" (the "Certificate Fund") as a separate and special bookkeeping account on the official books and records of the District to be used for no purpose other than the payment of the principal of and interest on the Certificates and such other certificates of the District as have been or may be directed to be paid from the Certificate Fund. State appropriations distributed by the State to the District are required to be deposited by the District in the Certificate Fund to the extent necessary, with other available funds, until the amount on deposit for that fiscal year is at least equal to the principal of and interest on the Certificates due for that fiscal year. All moneys and investments in the Certificate Fund are irrevocably pledged and appropriated to the equal and ratable payment of the principal of and interest on the Certificates. If the balance in the Certificate Fund is ever insufficient to pay all principal and interest then due on such Certificates, the Business Manager shall nevertheless provide sufficient money from other funds of the District which are available for that purpose, and such other funds shall be reimbursed from the revenues of the State Appropriations.

State Aid

History of State Aid for the District

The following table shows the State Aid received by the District.

Fiscal Year	Amount
2020	$ 2,140,992
2019	2,156,993
2018	2,035,018
2017	2,198,215
2016	2,155,543
2015	2,269,491
2014	2,213,440
2013	1,527,327
2012	1,437,987

Source: North Dakota Department of Public Instruction.

Debt Service Coverage

The following table sets forth debt service coverage of the Certificates based on the State Aid available for debt service

Table 1
Debt Service Coverage

Fiscal Year	Principal	Interest	Total	Coverage to State Aid
2020	$ 120,000	$ 10,260	$ 130,260	16.44x
2021	120,000	13,660	133,660	16.02x
2022	120,000	11,260	131,260	16.31x
2023	120,000	8,860	128,860	16.61x
2024	125,000	6,460	131,460	16.29x
2025	125,000	4,335	129,335	16.55x
2026	130,000	2,210	132,210	16.19x

(1) Coverage calculation is based on the total projected State Aid for the 2019/2020 fiscal year of $2,140,992, and assumes no annual increase or decrease.

Parity Obligations

The District may issue additional parity certificates and bonds (the "Parity Obligations") to provide funds to finance the acquisition, construction and equipping of District facilities, the repair and improvement of facilities, or the refunding of outstanding evidences of indebtedness, upon the following conditions:

(i) A certificate of the District stating and confirming that the State Aid received by the District for each of the two Fiscal Years preceding the issuance of the Parity Obligations was equal to at least 2.0 times the maximum annual Debt Service on the Outstanding Certificates or Bonds, the proposed Additional Bonds. In calculating the maximum annual Debt Service, there shall be deducted from such Debt Service the amount on deposit in a Reserve Fund, if any, (to the extent expected to pay Debt Service on the Outstanding Certificates or Additional Bonds) or in any irrevocable escrow fund being held for the payment of principal of and/or interest on the Certificates or Bonds.

All Certificates or Bonds issued in accordance with the Resolution shall have a lien on the State Aid which is equal to the lien of the Certificates and all Parity Obligations issued in accordance with the Resolution. Nothing in the Resolution shall preclude the District from issuing additional bonds which are expressly made subordinate to the pledge of State Aid to the Certificates. Notwithstanding the foregoing, the District may issue parity bonds with the written consent of the owners of all of the outstanding principal of the Certificates.

Provided, however, that prior to the issuance of any additional Parity Obligations, the Business Manager shall certify that the state funds available to the District under N.D.C.C. Chapter 15.1-27 are at least two times the maximum annual debt service amount for all obligations.

Bondholders' Risks

A number of factors could prevent the receipt of or reduce the amount of available State Aid Revenues for payment of debt service on the Certificates and Parity Obligations. The ability of the District to generate sufficient State Aid Revenues is dependent upon a number of conditions and risk factors that are unpredictable including student enrollment.

NO REPRESENTATION OR ASSURANCE CAN BE MADE THAT STATE AID REVENUES WILL BE REALIZED BY THE DISTRICT IN AMOUNTS SUFFICIENT TO PAY MATURING PRINCIPAL OF AND INTEREST ON THE CERTIFICATES AND THE OTHER OUTSTANDING OBLIGATIONS. Prospective purchasers of the Certificates should be aware that investment in the Certificates entails some degree of rick. Each prospective investor in the Certificates is encouraged to read this Official Statement in its entirety. Particular attention should be given to the factors described below which, among others could affect the payment of debt service on the Certificates and which could also affect the market price of the Certificates to an extent that cannot be determined. This discussion of risk factors is not, and is not intended to be exhaustive.

Limited Obligation

The obligation of the District to pay debt service on the Certificates is a special limited obligation of the District. The full faith and credit and taxing powers of the District are not pledged to pay debt service on the Certificates and the District does not have the authority to levy ad valorem property taxes without limit in order to pay debt service on the Certificates. As further described elsewhere herein, debt service on the Certificates is payable from State Aid Revenues received from the North Dakota Department of Public Instruction. While it is believed that State Aid Revenues will continue to be received from the North Dakota Department of Public Instruction and will be sufficient to pay debt service on the Certificates when due, a number of other factors described below, or factors not presently anticipated, may affect the receipt of sufficient revenues for such purposes.

Nature of Debt Service Coverage

Certain historical State Aid Revenues and other financial information for the District, including debt service coverage, are included in this Official Statement under the caption "Debt Service Coverage." The coverage is merely a mathematical computation as reflected in the applicable table, and constitutes no assurance as to the future debt of the District or the sufficiency of State Aid Revenues to satisfy the operations of the District and other debt service requirements.

General Factors that May Affect Sufficiency of State Aid Revenues

A decrease in the number of students registered at the District would have the most significant impact on State Aid Revenues as these revenues are calculated on a per student basis. Such a decrease would reduce the amount of State Aid Revenues to pay debt service on the Certificates.

Additional Parity Debt

Upon the satisfaction of certain conditions set forth in the Resolution, the District may issue Parity Obligations to provide funds to finance the acquisition, construction and equipping of District facilities, the repair and improvement of facilities or the refunding of outstanding evidences of indebtedness. The District may also issue Subordinated Obligations and other additional bonds not secured by the Resolution and the specifically pledged State Aid Revenues of the District, but payable from other revenues of the District. Such other additional bonds may be issued for any purpose permitted by law, including acquisition and construction of additional facilities or equipment.

Secondary Market

There can be no guarantee that there will be a secondary market for the Certificates or, if a secondary market exists, that such Certificates can be sold for any particular price. Such prices could be substantially different from the original purchase price of the Certificates.

EACH PROSPECTIVE PURCHASER IS RESPONSIBLE FOR ASSESSING THE MERITS AND RISKS OF AN INVESTMENT IN THE CERTIFICATES AND MUST BE ABLE TO BEAR THE ECONOMIC RISK OF SUCH INVESTMENT. THE SECONDARY MARKET FOR THE CERTIFICATES, IF ANY, COULD BE LIMITED.

Changes in Legislation

The future financial condition of the District and its ability to receive State Aid Revenues could be affected adversely by legislative and other regulatory actions, to the extent such changes are material and adversely alter the current operation of the District. The District cannot and does not make any predictions about such future legislative changes other than to note that any number of possible changes may adversely affect the operations of the District.

North Dakota School Credit Enhancement Program

The District has elected to participate in the North Dakota School District Credit Enhancement Program (the "Program"). Under the Program, if a school district is unable to make a bond payment, upon receipt of a notice of potential default, the State of North Dakota (the "State") will make the payment three days prior to the bond payment date from funds due, or payable, or appropriated to the school district under Chapter 15.1-27 of the North Dakota Century Code. To participate in the Program, the District's school board must adopt a resolution (the "Resolution") wherein the school district elects to participate in the Program, obligates the school district to be bound by the provisions of Section 6-09.4-23 and authorizes the withholding of state funds as required by the Program. The Resolution must further provide that the election to participate in the Program is irrevocable so long as the evidence of indebtedness enhanced by the Program remains outstanding and unpaid. The Resolution also must require the school district to deposit a bond payment with the paying agent five days before the payment date to the bondholders; certify that the state funds available to the school district under NDCC Chapter 15.1-27 are at least 2 times the maximum annual debt service on the Certificates; and provide for an additional bonds test requiring at least 2 times coverage of the maximum annual debt service for all outstanding bonds and subsequent bonds issued under the Program. The maximum annual debt service for all outstanding issues in the credit enhancement program is $218,742 in the year ending August 1, 2021. The total state aid due to the District for the 2019-20 school year is $2,140,992. The state aid provides 9.79 times coverage for the maximum annual debt service of all outstanding bonds in the Program.

Redemption Provisions

Optional Redemption

The Certificates are not subject to optional redemption.

Mandatory Sinking Fund Redemption

Term Certificates maturing on August 1, 2026 are required to be redeemed in part prior to maturity on August 1 at a principal amount thereof plus accrued interest to the redemption date, in the amounts set forth below:

Year	Amount
2024	$ 125,000
2025	125,000
2026 (Maturity)	130,000

Interest

Interest on the Certificates is payable annually on each February 1 and August 1, commencing February 1, 2020. Interest will be computed on a 360-day year, 30-day month basis, and paid to the owners of record as of the close of business on the fifteenth day of the immediately preceding month. Payments coming due on a non-business day will be paid on the next business day.

Sources and Uses of Funds

The sources and uses of funds in connection with the issuance of the Certificates are as follows:

Table 2
Sources and Uses of Funds

Sources of Funds	
Par Amount	$ 860,000.00
Net Premium	4,486.80
Total Sources of Funds	$ 864,486.80
Uses of Funds	
Refunding Escrow Deposit	$ 832,126.81
Cost of Issuance/Underwriter's Discount	27,645.12
Additional Proceeds	4,715.87
Total Uses of Funds	$ 864,486.80

Book-Entry Only System

The information contained in the following paragraphs of this subsection "Book-Entry Only System" has been extracted from a schedule prepared by The Depository Trust Company ("DTC") entitled "SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY ONLY ISSUANCE." The District makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

The Depository Trust Company ("DTC"), New York, New York will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each annual maturity of the Certificates, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations ("Direct Participants"). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Participants acting on behalf of

Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Certificates with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. will consent or vote with respect to the Certificates. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Certificates will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the District or the Paying Agent, disbursements of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

NEITHER THE DISTRICT, THE REGISTRAR NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE CERTIFICATES; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER; OR (5) THE SELECTION BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF CERTIFICATES.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

No Continuing Disclosure

The District is not subject to the requirements of Rule 15c2-12 since the amount of the Certificates is less than $1,000,000.

In the last five years, the District has never failed to comply in all material respects with its continuing disclosure undertakings under the Rule. Breach of the Disclosure Covenants will not constitute an "Event of Default" under the Resolution. A broker or dealer is to consider a known breach of the Disclosure Covenants, however, before recommending the purchase or sale of the Certificates in the secondary market. Thus, a failure on the part of the District to observe the Disclosure Covenants may adversely affect the transferability and liquidity of the Certificates and their market price.

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THE DISTRICT

General Information

The District is located in central North Dakota in Mercer and McLean Counties (the "Counties") and includes the City of Underwood (the "City") and the surrounding area. The City is located near the Missouri River and is approximately 50 miles north of Bismarck. The District has a population of approximately 1,275 and covers an area of 199.39 square miles.

Table 3 provides a description of the District's only facility.

Table 3
District Facilities

Building	Year Built	Additions	Grades	Estimated Capacity	Current Enrollment
Original Building	1926	1953, 1975,1978, 1980, 1982, 2005, 2016	PK-12	400	222

Organization and Administration

The school board is the policy-making body. Among some of the roles of the School Board are to approve the budget, establish goals and priorities, acquire and dispose of property, serve as a link between the school system and the public and interpret educational needs and concerns of the community. The Board of Education is made up of five residents of the District elected at large to four-year terms. Board meetings are held on various days in the third week of each month at 8:30 a.m. The school board and the current administration are presented in the following table.

Table 4
School Board

Name	Position	Expiration Date
Michael Heger	Chair	July 2020
Brent Charging	Member	July 2022
Amanda Haseleu	Member	July 2022
James Leroy	Member	July 2021
Sarah Ness	Member	July 2020

Table 5
District Administration

Name	Position
Brandt Dick	Superintendent
Angela Riehl	Business Manager

Enrollment Trends

The District provides a complete curriculum to students in grades Kindergarten through 12th grade. Enrollments in the District for the current and last five years are set forth in Table 6 below. The District's enrollment for the 2019/20 school year is 222.

Table 6
Historical Enrollment

School Year	Students
2019/20	222
2018/19	200
2017/18	208
2016/17	196
2015/16	216
2014/15	204

Source: The District.

Pension Plans

North Dakota Teachers Fund For Retirement (TFFR)

The District contributes to the North Dakota Teacher's Fund for Retirement (TFFR); a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota for its certified staff. TFFR provides for retirement, disability and survivor benefits to plan members and beneficiaries. Benefit and contribution provisions are administered in accordance with chapter 15-39.1 of the North Dakota Century Code. TFFR issues a publicly available financial report that includes financial statements and required supplementary information for TFFR. That report may be obtained by writing to Teacher's Fund for Retirement, 1930 Burnt Boat Drive, PO Box 7100, Bismarck, ND 585067-7100.

Plans members are required to contribute 11.75% of their annual covered salary and the District is required to contribute 12.75% of the teacher's salary. The contribution requirements of plan members and the District are established and may be amended by the State Legislature. The District's contributions to TFFR for the fiscal years ending June 30, 2019, 2018 and 2017 were $219,586, $268,109, $305,808, respectively, equal to the required contributions for the year.

North Dakota Public Employees Retirement System (NDPERS)

The District contributes to the North Dakota Public Employees' Retirement System (NDPERS); a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota for its non-certified staff. NDPERS provides for retirement, disability and survivor benefits to plan members and beneficiaries. Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. NDPERS issues a publicly available financial report that includes financial statements and required supplementary information for NDPERS. That report may be obtained by writing to NDPERS, 400 E Broadway, Suite 505, P.O. Box 1214, Bismarck, North Dakota, 58502-1214.

Plan members are required to contribute 7% of their annual covered salary. The District is required to contribute 8.26% of the employees' salary which consists of 7.12% for employee retirement and 1.14% for the retiree health benefits fund. The contribution requirements of plan members and the District are established and may be amended by the State Legislature. The District's contributions to NDPERS for the years ending June 30, 2019, 2018, and 2017 were $114,344, $75,808, and $44,311, respectively, equal to the required contributions for the year.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population

Table 7 shows the population of Mercer and McLean Counties as recorded in the past four decennial censuses plus a recent estimate.

Table 7
Population Statistics

Census Year	McLean County	Mercer County
2018 Estimate	9,541	8,267
2010	8,962	8,424
2000	9,311	8,644
1990	10,457	9,808
1980	12,383	9,404

Source: U.S. Census Bureau, www.census.gov

Labor Force and Unemployment Statistics

Average annual labor force and unemployment rates for Mercer and McLean Counties for the last five years and the most recent data available are presented in Table 8 below, along with the unemployment rates for the State of North Dakota and the United States.

Table 8
Labor Force and Unemployment Statistics

	Mercer County		McLean County		North Dakota	United States
Year	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate	Unemployment Rate	Unemployment Rate
2019[1]	3,803	3.9%	4,736	3.0%	2.4%	3.7%
2018	3,969	4.2%	4,795	3.3%	2.6%	3.9%
2017	4,441	4.1%	5,007	3.2%	2.7%	4.1%
2016	4,654	4.4%	5,070	3.5%	2.9%	4.7%
2015	4,298	4.2%	4,912	3.7%	3.0%	5.0%
2014	4,142	3.9%	4,880	4.0%	2.6%	5.6%

(1) Date as of August 2019.

Source: Job Service of North Dakota; Bureau of Labor Statistics

Major Employers

Table 9 presents a listing of the principal employers near the District.

Table 9
Principal Employers

Employer	County	Product or Service	Employees
Great Plains Synfuels Plant	Mercer	Alternative Fuels	700
Coteau Properties Co	Mercer	Mining Companies	400
Falkirk Mining Co	McLean	Coal Mining & Shipping	250
Basin Electric Power Co-Op	Mercer	Power Plant	193
Knife River Corp	Mercer	Construction Materials	150
North American Coal	McLean	Coal Mining & Shipping	150
Sakakawea Medical Ctr	Mercer	Hospital	140
Leland Olds Power Plant	Mercer	Power Plant	130
Beulah High School	Mercer	School	110
Coyote Creek Mining Co	Mercer	Coal Mining	100

Source: Reference USA.

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FINANCIAL SUMMARY

(This summary is subject in all respects to more complete information contained in this Official Statement.)

2018/19 Market Value (100%)	$ 273,431,018
2018/19 Assessed Value (50%)	$ 136,715,501
2018/19 Taxable Value	$ 13,021,848
General Obligation Long-Term Debt	$ 1,558,750
Certificates of Indebtedness (This Issue)	$ 860,000
Overlapping Debt	$ 5,499,686
District Population (U.S. Census Bureau 2018 Estimate)	1,625
Land Area	199.39 square miles

Debt Ratios:

	Amount	Debt Per Capita (1,625)	% of Market Value
Certificates of Indebtedness	$ 860,000	$ 529	0.31%
General Obligation Long-Term Debt	1,558,750	959	0.57%
Overlapping Debt	5,499,686	3,384	2.01%
Total Long-Term Debt	$ 7,918,436	$ 4,872	2.89%

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DEBT STRUCTURE

General Obligation Long-Term Debt

Table 10 below summarizes the total general obligation long-term debt of the District as of November 1, 2019 and Table 11 presents the annual maturity schedule for the general obligation bonds of the District.

Table 10
General Obligation Long-Term Debt by Issue

Date	Purpose	Original Issue Size	Interest Range	Maturity Dates Outstanding	Principal Amount Outstanding
2010	Qualified School Construction Bonds	$ 500,000	5.49%	07/01/2020-26	$ 218,750
2016	Building Fund	1,500,000	1.25-3.00%	08/01/2020-35	1,340,000
Total General Obligation Debt Long-Term Debt					$ 1,558,750

Table 11
General Obligation Long-Term Debt
Supported by Building Fund Levy
Annual Maturity Schedule

Calendar Year (August 1)	Principal[1]	Interest[2]	Total
2020	$ 86,250	$ 42,779	$ 129,029
2021	86,250	40,376	126,626
2022	86,250	37,973	124,223
2023	91,250	35,157	126,407
2024	91,250	32,241	123,491
2025	91,250	29,326	120,576
2026	91,250	26,410	117,660
2027	95,000	23,495	118,495
2028	95,000	21,595	116,595
2029	100,000	19,695	119,695
2030	100,000	17,445	117,445
2031	105,000	15,195	120,195
2032	105,000	12,622	117,622
2033	110,000	10,050	120,050
2034	110,000	6,750	116,750
2035	115,000	3,450	118,450
Total	$ 1,558,750	$ 374,562	$ 1,933,312

(1) The principal amount for the 2010 GO QSCB is due on July 1, 2026. This table includes sinking fund deposits already made or to be made for such bonds.
(2) For the 2010 GO Taxable QSCB, the interest amount does not reflect IRS subsidy payments.

Lease Purchase Obligations

Table 12 below summarizes the total lease purchase obligations of the District payable solely from annual appropriation. Table 13 below presents the annual maturity schedules for such lease purchase obligations as of the issuance of the Certificates.

Table 12
Lease Purchase Obligations by Issue

Date	Purpose	Original Issue Size	Interest Range	Maturity Dates Outstanding	Principal Amount Outstanding
07/01/05	Qualified Zone Academy Bond	$ 500,000	0.00%	06/30/2020	$ 33,334[1]
07/29/11	Equipment	1,440,917	4.49%	08/01/2020-26	--[2]
Total Lease Purchase Obligations					$ 33,334

(1) Mandatory sinking fund payments included in outstanding calculation
(2) The Certificates will refund the outstanding maturities on the lease on February 1, 2020

Table 13
Lease Purchase Obligations
Annual Maturity Schedule

Year (July 1)	Principal	Interest[1]	Total
2020	$ 33,334	$ --	$ 33,334
Total	$ 33,334	$ --	$ 33,334

(1) The 2005 QZABs have full interest subsidy

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Certificates of Indebtedness

Table 14 Table 15 and summarize the District's State Aid Refunding Certificates of Indebtedness, Series 2019.

Table 14
Certificates of Indebtedness

Date	Purpose	Original Issue Size	Interest Range	Maturity Dates Outstanding	Principal Amount Outstanding
12/11/19	Refunding Certificates of Indebtedness[1]	$ 860,000	1.70%-2.00%	08/01/2020-26	$ 860,000
Total Certificates of Indebtedness					$ 860,000

(1) These certificates participate in the North Dakota School Credit Enhancement Program.

Table 15
Certificates of Indebtedness
Annual Maturity Schedule

Year (August 1)	Principal	Interest	Total
2020	$ 120,000	$ 10,261	$ 130,261
2021	120,000	13,660	133,660
2022	120,000	11,260	131,260
2023	120,000	8,860	128,860
2024	125,000	6,460	131,460
2025	125,000	4,335	129,335
2026	130,000	2,210	132,210
Total	$ 860,000	$ 57,046	$ 917,046

(1) Interest rates and reoffering yields or prices will be set forth in the Final Official Statement described herein.

Future Financing

The District does not anticipate that it will issue additional debt within the next six months.

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Debt Limitation

According to Article V, Section 15 of the North Dakota Constitution and Section 21-03-04 of the North Dakota Century Code, North Dakota Schools Districts may not become indebted for any purpose in excess of 5% of their assessed value except that a school district by a majority vote of the qualified voters voting upon the question at a general or special election, may increase such limitation of indebtedness five percent on such assessed value beyond the five percent limit. The District's debt limit has been increased to 10%. Section 57-02-01(16) of the North Dakota Century Code defines "Assessed Value" as 50% of the true and full value of the property. Table 16 presents the debt limit of the District.

Table 16
Debt Limit Computation

Assessed Value (2018/19)	$ 136,715,501
Limit Percentage	10.00%
Authorized Debt Limit (100.00%)	$ 13,671,550
Debt Subject to Limit (11.40%)	(1,558,750)
Debt Margin (88.60%)	$ 12,112,800

Overlapping Debt

There are multiple taxing jurisdictions which overlap the District and had general obligation debt as of November 1, 2019. Table 17 sets forth the general obligation debt for those jurisdictions and the amount of their debt allocable to the District. General Obligation debt includes all debt payable from general tax levies and special assessments and all annual appropriation lease obligations.

Table 17
Overlapping Debt

Entity	General Obligation Debt	% of Debt Allocable to the District	Portion Allocable to the District
Mercer County	$ 2,970,000[1]	25.24%	$ 749,686
City of Underwood	4,750,000	100.00%	4,750,000
Total	$ 7,720,000		$ 5,499,686

(1) General obligation debt of the County does not include outstanding revenue obligations.

Source: Mercer and McLean Counties

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FINANCIAL INFORMATION

Financial Reports

The District's financial statements are audited by an independent auditor. Copies of the District's audited financial statements for the fiscal years ended June 30, 2016 through 2019 are available upon request from PFM Financial Advisors LLC, the District's Municipal Advisor.

Results of Operations

Statements of revenues and expenditures of the General Fund of the District have been compiled from the District's audited financial statements. They have been presented in such a manner as to facilitate year-to-year comparison. Table 18 below presents a Statement of Revenues, Expenditures and Changes in Fund Balance for the District's General Fund for the fiscal years ended June 30, 2016 through 2019.

Table 18
Statement of Revenues, Expenditures and Changes in Fund Balance for the General Fund
(Years Ended June 30)

Revenues	2019	2018	2017	2016
Local Sources	$ 1,035,423	$ 1,026,920	$ 950,912	$ 804,269
County Sources	165,819	159,500	150,748	145,858
State Sources	2,171,151	2,095,349	2,216,761	2,234,433
Federal Sources	102,794	100,670	116,174	119,599
Other Sources	13,611	7,560	18,893	14,980
Total Revenues	$ 3,488,799	$ 3,390,000	$ 3,453,489	$ 3,319,142
Expenditures				
Current				
Regular Instruction	$ 1,516,091	$ 1,555,382	$ 1,563,702	$ 1,480,896
Federal Programs	61,776	68,926	65,989	74,925
Special Education	336,435	285,098	284,742	342,276
Vocational Education	35,362	36,748	72,331	71,883
District Wide Services	51,053	35,007	35,202	33,073
General Administration	388,093	364,532	376,547	367,793
Operation & Maintenance	471,281	402,254	418,757	292,277
Student Transportation	163,531	130,925	120,227	105,534
Student Activities	125,234	121,781	119,921	116,522
Tuition and Assessments	41,364	36,127	54,310	22,669
Food Services	20,972	24,392	38,039	7,393
Other	85,733	82,385	82,802	76,107
Capital Outlay	90,200	--	454,305	157,215
Debt Service				
Principal	94,388	90,332	86,450	82,735
Interest	39,738	43,794	47,676	51,390
Total Expenditures	$ 3,521,256	$ 3,277,690	$ 3,821,006	$ 3,282,694
Excess of Revenues over (under) Expenditures	$ (32,456)	$ 112,309	$ (367,516)	$ 36,447
Fund Balance - July 1	992,207	879,898	1,247,414	1,210,967
Fund Balance - June 30	$ 959,751	$ 992,207	$ 879,898	$ 1,247,414

General Fund Budgets

Table 19 provides a summary of the District's budget for the General Fund for the 2019/20 school year.

Table 19
General Fund 2019/2020 Budget

Revenues	
Local Sources	$ 1,132,835
County Sources	161,000
State Sources	2,153,200
Federal Sources	102,936
Other Sources	3,000
Total Revenues	$ 3,552,971
Expenditures	$ 3,634,080

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PROPERTY VALUATIONS AND TAXES

The City Assessor's office establishes an estimated market value on all properties. The assessed value is computed at 50% of estimated market value. The taxable value is then computed in the following manner: on residential property the taxable value is 9% of the assessed value; on agricultural property, commercial property, and railroad and other utilities the taxable value is 10% of the assessed value. Table 20 shows the taxable values of taxable property in the District for assessment year 2018 collectible in 2019. Table 21 shows the trend in property valuations over the last five years.

Table 20
Property Values in the District

Levy 2018 / Payable 2019

	Market Value	Assessed Value	Equalization Factor	Taxable Value
Real Property				
Residential	$130,024,100	$65,012,050	9.00%	$5,851,497
Agricultural	95,052,781	47,526,381	10.00%	4,752,643
Commercial	43,844,700	21,922,350	10.00%	2,192,235
Utilities				
Railroad	2,588,537	1,294,270	10.00%	129,428
Other Utilities	1,920,900	960,450	10.00%	96,045
Less: Incremental Value	--	--	--	--
Total	$273,431,018	$136,715,501		$13,021,848

Source: Mercer and McLean Counties.

Table 21
Trend in Valuations in the District

Assessment Year/ Collection Year	Market Value	Assessed Value	Taxable Value
2017/18	$ 263,192,793	$ 131,360,463	$ 12,513,969
2016/17	257,942,353	128,971,168	12,301,505
2015/16	253,792,134	126,896,054	12,070,410
2014/15	228,188,162	114,094,086	10,873,593
2013/14	202,328,137	101,164,065	9,646,605

Source: Mercer and McLean Counties.

Property Tax Levies and Collections

After final equalization by assessing authorities in September of each year, the County Auditor calculates mill rates and spreads taxes. The resulting taxes are payable on the following January 1.

Taxes are collected by the County in two semiannual installments, and the receipts are distributed by the County to the local government entities. A discount of five percent is given on the tax bill if the entire payment is made by February 15. Discounts given are subtracted from the levy amount by the County Auditor. If taxes are not paid by March 1, a three percent penalty is charged with the penalty being raised on May 1 to six percent, on July 1 to nine percent, and on October 15 to twelve percent.

North Dakota residents over 65 years of age whose income is less than $42,000 receive a homestead property tax credit. The credit is subtracted from their tax bill. Local government entities are reimbursed by the state for all homestead credits. Therefore, the District as well as other local government entities has no loss in tax revenues from the credit.

Table 22 shows the District's tax levies and collections for collection years 2014 through 2019.

Table 22
Tax Collections

				Net Levy Collected as of 9/30/2019	
Levy Year	Collection Year	Amount of Levy	Net Levy	Amount	% of Net Levy
2018	2019	$1,125,356	$1,069,088	In process of collection	
2017	2018	1,096,872	1,042,028	1,074,708	103.14%
2016	2017	925,602	879,322	925,508	105.25%
2015	2016	807,888	767,494	807,888	105.26%
2014	2015	711,279	675,715	711,279	105.26%
2013	2014	552,785	525,146	552,785	105.26%

Source: Mercer and McLean Counties.

RATING

Moody's Investors Services, Inc. ("Moody's") has assigned a rating of "Aa2" based upon the District's participation in the North Dakota School Credit Enhancement Program. A rating reflects only the view of the rating organization or explanations of the significance of such rating may be obtained from the rating agency furnishing the same. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrants. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

TAX EXEMPTION

The interest on the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that for the purpose of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings.

Noncompliance by the District following the issuance of the Certificates with its covenants in the resolution under which the Certificates are issued relating to certain continuing requirements of the Internal Revenue Code of 1986 (the "Code") may result in inclusion of interest to be paid on the Certificates in gross income of the recipient for United States income tax purposes.

Interest to be paid on the Certificates is also includable in the computation of alternative minimum taxable income for purposes of the environmental tax imposed by Section 59A of the Code on corporations. In the case of an insurance company subject to the tax imposed by Section 831 of the Code the amount which otherwise would be taken into account as losses incurred under Section 832(b)(5) of the Code must be reduced by an amount equal to fifteen percent of the interest to be paid on the Certificates that is received or accrued during the taxable year. Interest on the

Certificates may additionally be included in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code.

The market value and marketability of the Certificates may be adversely affected by future changes in federal or North Dakota tax treatment of interest on the Certificates or by future reductions in income tax rates. In September 2011 and again as part of his Fiscal Year 2013 budget proposal, President Obama proposed a number of limitations on the availability of certain deductions and exclusions, including the exclusion of interest on certain state and local bonds, by limiting the reduction of tax liability to a maximum of 28 percent, affecting married taxpayers filing a joint return with income over $250,000 (at 2009 levels) and single taxpayers with income over $200,000. Although these proposals were not enacted, no prediction is made concerning future legislation that could adversely affect the tax treatment of interest on the Certificates. Prospective purchasers should consult with their own tax advisors regarding this and any other pending or proposed federal income tax legislation.

The foregoing is not intended to be an exhaustive discussion of collateral tax consequences arising from ownership or disposition of the Certificates or receipt of interest on the Certificates. Prospective purchasers or certificate holders should consult their tax advisors with respect to collateral tax consequences and applicable state and local tax rules in states other than North Dakota.

Certificate Premium

The Certificates maturing in the years 2020 through 2023 are being sold at a price greater than the principal amount payable on such Certificates at maturity. Except in the case of dealers, which are subject to special rules, Certificate holders who acquire Certificates at a premium, even Certificates that were not initially offered at a premium, must, from time to time, reduce their federal and North Dakota tax bases for the Certificates for purposes of determining gain or loss on the sale or payment of such Certificates. Premium generally is amortized for federal and North Dakota income tax purposes on the basis of a Certificate holder's constant yield to maturity or to certain call dates with semiannual compounding. Accordingly, Certificate holders who acquire Certificates at a premium might recognize taxable gain upon sale of the Certificates, even if such Certificates are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal or North Dakota income tax purposes. Certificate holders who acquire Certificates at a premium should consult their tax advisors concerning the calculation of Certificate premium and the timing and rate of premium amortization, as well as the state and local tax consequences of owning and selling Certificates acquired at a premium.

Original Issue Discount

The Term Certificate maturing in 2026 is being issued at a discount (the "Discount Certificate"). The difference between the price at which a substantial amount of the Discount Certificate of a given maturity is first sold to the public (the "Issue Price") and the principal amount payable at maturity constitutes "original issue discount" under the Code. The amount of original issue discount that accrues to a holder of a Discount Certificate under section 1288 of the Code is excluded from federal gross income and from North Dakota taxable income to the same extent that stated interest on such Discount Certificate would be so excluded. The amount of the original issue discount that accrues with respect to a Discount Certificate under section 1288 is added to the owner's federal and North Dakota tax basis in determining gain or loss upon disposition of such Discount Certificate (whether by sale, exchange, redemption or payment at maturity).

Interest in the form of original issue discount accrues under section 1288 pursuant to a constant yield method that reflects semiannual compounding on dates that are determined by reference to the maturity date of the Discount Certificate. The amount of original issue discount that accrues for any particular semiannual accrual period generally is equal to the excess of (1) the product of (a) one-half of the yield on such Certificates (adjusted as necessary for an initial short period) and (b) the adjusted issue price of such Certificates, over (2) the amount of stated interest actually payable. For purposes of the preceding sentence, the adjusted issue price is determined by adding to the Issue Price for such Certificates the original issue discount that is treated as having accrued during all prior semiannual accrual periods. If a Discount Certificate is sold or otherwise disposed of between semiannual compounding dates, then the original issue discount that would have accrued for that semiannual accrual period for federal income tax purposes is allocated ratably to the days in such accrual period.

If a Discount Certificate is purchased for a cost that exceeds the sum of the Issue Price plus accrued interest and accrued original issue discount, the amount of original issue discount that is deemed to accrue thereafter to the purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of such Certificate. If such excess is greater than the amount of remaining original issue discount, the Code's basis reduction rules for amortizable Bond premium might result in taxable gain upon sale, redemption or maturity of the Certificates, even if the Certificates are sold, redeemed or retired for an amount equal to or less than their cost.

Except for the rules described above, no opinion is expressed as to state and local income tax treatment of original issue discount. It is possible under certain state and local income tax laws that original issue discount on a Discount Certificate may be taxable in the year of accrual, and may be deemed to accrue differently than under federal law.

Holders of Discount Certificates should consult their tax advisors with respect to the computation and accrual of original issue discount and with respect to the other federal, state and local tax consequences associated with the purchase, ownership, redemption, sale or other disposition of Discount Certificates.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The District will designate the Certificates as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes a portion of the interest expense that is allocable to carrying and acquiring tax-exempt obligations. Sections 265(a)(2) and 291 of the Code impose additional limitations on the deductibility of such interest expense. The District will also represent and covenant that it does not reasonably expect that it or any subordinate entities to it will issue tax-exempt obligations (other than private activity bonds, treating qualified 501(c)(3) bonds as not being private activity bonds) in an aggregate amount greater than $10,000,000 in 2019.

LEGAL MATTERS

Legal matters incident to the authorization and issuance of the Certificates are subject to the opinion of Arntson Stewart Wegner PC., Bismarck, North Dakota, as to validity and tax exemption. Bond Counsel has not participated in the preparation of this Official Statement.

MUNICIPAL ADVISOR

The District has retained PFM Financial Advisors LLC, of Minneapolis, Minnesota, as Municipal Advisor (the "Municipal Advisor") in connection with the issuance of the Certificates. In preparing the Official Statement, the Municipal Advisor has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for the Official Statement, and the Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the District to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Certificates.

Requests for information concerning the District should be addressed to PFM Financial Advisors LLC, 50 South Sixth Street, Suite 2250, Minneapolis, Minnesota 55402 (612/338-3535) or 1726 Prairie Lane, Fargo, North Dakota 58103 (701/235-4416).

CLOSING DOCUMENTS

Simultaneously with the delivery of and payment for the Certificates by the original purchasers thereof, the District will furnish to the original purchasers the customary closing documents in form satisfactory to Bond Counsel.

CERTIFICATION

The District will furnish a statement to the effect that this Official Statement, to the best of its knowledge and belief as of the date of sale and the date of delivery, is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading.

NO LITIGATION

There is no litigation now pending or, to the knowledge of District officials, threatened which questions the validity of the Certificates or of any proceedings of the District taken with respect to the issuance or sale thereof.

MISCELLANEOUS

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement by its Superintendent has been duly authorized by the District.

UNDERWOOD PUBLIC SCHOOL DISTRICT NO. 8

By: /s/ Brandt Dick
Superintendent

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APPENDIX A

The District's Audited Financial Statements
for the Fiscal Year Ended June 30, 2019

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AUDIT REPORT

UNDERWOOD PUBLIC SCHOOL DISTRICT NO. 8
Underwood, North Dakota

For the Year Ended June 30, 2019

RATH & MEHRER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

UNDERWOOD PUBLIC SCHOOL DISTRICT NO. 8
Underwood, North Dakota

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UNDERWOOD PUBLIC SCHOOL DISTRICT NO. 8
Underwood, North Dakota

SCHOOL DISTRICT OFFICIALS

Mike Heger	Board President
David Beck	Vice President
Brent Charging	Board Member
James Leroy	Board Member
Sarah Ness	Board Member
Brandt Dick	Administrator
Darla Grabinger	Business Manager

Rath & Mehrer

Certified Public Accountants

Specializing in Governmental Auditing

Phone: (701) 258-4560
Jayson Rath, CPA
Ken Mehrer, CPA

425 North Fifth Street
Bismarck, ND 58501

INDEPENDENT AUDITOR'S REPORT

Governing Board
Underwood Public School District No. 8
Underwood, 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 the Underwood Public School District No. 8, Underwood, North Dakota, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the school district's basic financial statements 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 judgement, 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 school district'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 school district's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9, budgeting comparison information on pages 36 through 37, and the schedules of employer's share of net pension liability on pages 38 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the school district's basic financial statements. The schedule of fund activity arising from client transactions is presented for additional analysis and is not a required part of the basic financial statements.

The schedule of fund activity arising from client transactions is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of fund activity arising from client transactions is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2019 on our consideration of the school district's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the school district's internal control over financial reporting and compliance.

Rath and Mehrer

Rath and Mehrer, P.C.

Bismarck, North Dakota

August 23, 2019

UNDERWOOD PUBLIC SCHOOL DISTRICT NO. 8

Management's Discussion and Analysis

June 30, 2019

The Management's Discussion and Analysis (MD&A) of the Underwood Public School District's financial performance provides an overall review of the school district's financial activities for the fiscal year ended June 30, 2019. The intent of the MD&A is to look at the school district's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

The MD&A is a new element of the Required Supplementary Information specified in the Government Accounting Standards Board's (GASB) Statement No. 34 "*Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*". Certain comparative information between the current fiscal year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended June 30, 2019 are as follows:

* Net position of the school district decreased $6,874 as a result of the current year's operations.
* Governmental net position as of the end of the fiscal year totaled $1,058,581.
* Total revenues from all sources were $3,791,744.
* Total expenses were $3,798,619.
* The school district's general fund had $3,488,800 in total revenues and $3,521,256 in total expenditures. Overall, the general fund balance decreased by $32,457 for the year ended June 30, 2019.

USING THIS ANNUAL REPORT

This annual financial report consists of a series of statements and related footnotes. These statements are organized so that the reader can understand the school district as a financial whole. The statements then proceed to provide an increasingly detailed look at financial activities.

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

REPORTING ON THE SCHOOL DISTRICT AS A WHOLE

Statement of Net Position and Statement of Activities

These statements are summaries of all the funds used by the school district to provide programs and activities and attempt to answer the question "How did the school district do financially during the year ended June 30, 2019?"

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

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

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

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

REPORTING ON THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Balance Sheet - Governmental Funds

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

The school district's other funds, which are used to account for a multitude of financial transactions, are summarized under the heading "Other Governmental Funds".

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Table I provides a summary of the school district's net position as of June 30, 2019. A comparative analysis of district-wide data is presented for both current and prior year.

As indicated in the financial highlights above, the school district's net position decreased by $6,874 for the year ended June 30, 2019. Changes in net position may serve over time as a useful indicator of the school district's financial position.

The school district's net position of $1,058,581 is segregated into three separate categories. Net investment in capital assets totals $2,235,982. It should be noted that these assets are not available for future spending. The restricted component of net position is $1,063,376 of the school district's net position and represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted component of net position is ($2,240,777) which includes ($3,234,647) relating to the reporting of it's share of the unfunded liability for the North Dakota Teachers Fund for Retirement and the North Dakota Public Employees Retirement System as required by GASB Statement No. 68. The net amount of $993,870 is available to meet the school district's ongoing obligations.

Table I
Net Position
As of June 30, 2019
(With comparative totals for June 30, 2018)

	2019	2018
Assets		
Current Assets	2,431,474	2,415,073
Capital Assets (net of accumulated depreciation)	5,421,639	5,487,744
Total Assets	7,853,113	7,902,817
Deferred Outflows of Resources	673,513	720,169
Liabilities		
Current Liabilities	412,328	418,000
Long-Term Liabilities	3,147,557	3,298,233
Net Pension Liability	3,585,628	3,617,484
Total Liabilities	7,145,513	7,333,717
Deferred Inflows of Resources	322,532	223,814
Net Position		
Net Investment in Capital Assets	2,235,982	2,152,699
Restricted	1,063,376	1,007,183
Unrestricted	(2,240,777)	(2,094,427)
Total Net Position	1,058,581	1,065,455

Table II shows the changes in net position for the fiscal year ended June 30, 2019. A comparative analysis of district-wide data is presented for both current and prior year.

Table II
Changes in Net Position
As of June 30, 2019
(With comparative totals for June 30, 2018)

	2019	2018
Revenues		
Program Revenues:		
Charges for Services	95,515	97,070
Operating Grants and Contributions	199,206	269,565
General Revenues:		
Property Taxes	1,129,179	1,092,071
Other Taxes	189,254	182,934
State Aid - Unrestricted	2,089,990	1,987,118
Federal Aid - Unrestricted	27,170	28,391
Interest Earnings and Other Revenue	61,430	49,060
Total Revenues	3,791,744	3,706,209
Expenses		
Regular Instruction	1,628,322	1,680,160
Federal Programs	61,776	68,927
Special Education	336,435	285,098
Vocational Education	35,362	36,749
District Wide Services	51,053	35,007
Administration	388,093	364,533
Operations and Maintenance	490,614	421,588
Student Transportation	201,164	158,633
Student Activities	147,390	143,940
Tuition and Assessments	41,365	36,128
Food Services	139,334	153,038
Other	85,733	82,386
Interest on Long-Term Debt	98,954	103,556
Unallocated Depreciation	93,023	93,927
Total Expenses	3,798,619	3,663,669
Net Change in Position	(6,874)	42,540

Property taxes constituted 30%, other taxes 5%, unrestricted state aid 55%, operating grants and contributions 5% and charges for services made up 3% of the total revenues of governmental activities of the school district for the fiscal year ended June 30, 2019.

Regular instruction constituted 43%, federal programs 2%, special education 9% and vocational education 1% of total expenses for governmental activities during the fiscal year ended June 30, 2019.

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

Table III
Total and Net Cost of Services
As of June 30, 2019

	Total Cost Year Ended June 30, 2019	Net Cost Year Ended June 30, 2019
Regular Instruction	1,628,322	1,603,463
Federal Programs	61,776	(10,543)
Special Education	336,435	328,637
Vocational Education	35,362	30,857
District Wide Services	51,053	51,053
Administration	388,093	388,093
Operations and Maintenance	490,614	490,614
Student Transportation	201,164	134,160
Student Activities	147,390	147,390
Tuition and Assessments	41,365	41,365
Food Services	139,334	21,098
Other	85,733	85,733
Interest on Long-Term Debt	98,954	98,954
Unallocated Depreciation	93,023	93,023
Total Expenses	3,798,619	3,503,898

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The purpose of the school district's governmental funds is to provide information on the near-term inflows, outflows and balances of available resources. Unassigned fund balance generally can be used as a measure of the school district's net resources available for spending as of the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting. The school district's governmental funds had total revenue of $3,793,647 and expenditures of $3,769,901 for the year ended June 30, 2019. As of June 30, 2019, the unassigned fund balance of the school district's general fund was $959,751.

GENERAL FUND BUDGET HIGHLIGHTS

During the course of fiscal year 2019, the school district amended the general fund budget. The gross effect of the amendments was to increase estimated revenues by $4,337 and decrease appropriations by $5,778.

Actual revenue for the year ended June 30, 2019 was $33,313 less than budgeted. Actual expenditures for the year ended June 30, 2019 were over budget by $20,055.

CAPITAL ASSETS

As of June 30, 2019, the school district had $5,421,639 invested in capital assets. Table IV shows the balances as of June 30, 2019.

Table IV
Capital Assets
(Net of Accumulated Depreciation)
As of June 30, 2019
(With comparative totals for June 30, 2018)

	2019	2018
Buildings	5,285,052	5,378,979
Vehicles	136,587	108,765
Total (net of depreciation)	5,421,639	5,487,744

This total represents a decrease of $66,105 in capital assets from July 1, 2018. The increase in vehicles for the year ending June 30, 2019 was due to the purchase of a 2020 Thomas bus. For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 7 to the audited financial statements which follow this analysis.

DEBT ADMINISTRATION

As of June 30, 2019, the school district had $3,202,557 in outstanding debt of which $55,000 was due within one year.

During fiscal year 2019, the school district did not issue any new long-term debt obligations.

For a detailed breakdown of the long-term debt, readers are referred to Note 12 to the audited financial statements which follow this analysis.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our parents, taxpayers and creditors with a general overview of the school district's finances and to show the school district's accountability for the money it receives to provide the best possible education to all students enrolled in the Underwood Public School. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact Angie Riehl, Business Manager, Underwood Public School, Underwood, ND 58576.

UNDERWOOD PUBLIC SCHOOL DISTRICT NO. 8
Underwood, North Dakota

Statement of Net Position
June 30, 2019

	Governmental Activities
ASSETS:	
Cash and Investments	1,518,322.20
Taxes Receivable	58,886.93
Due from County Treasurer	14,128.41
Intergovernmental Receivables	75,262.65
Restricted Assets:	
Cash	764,873.43
Capital Assets (net of accumulated depreciation):	
Buildings	5,285,052.00
Vehicles	136,587.00
Total Capital Assets	5,421,639.00
Total Assets	7,853,112.62
DEFERRED OUTFLOWS OF RESOURCES:	
Changes in Resources Related to Pensions	673,513.00
LIABILITIES:	
Salaries and Payroll Benefits Payable	344,277.69
Interest Payable	13,050.00
Long-Term Liabilities:	
Due Within One Year:	
G.O. Bonds Payable	55,000.00
Due After One Year:	
Capital Lease Payable	790,656.86
QZAB Bonds Payable	500,000.00
QSCB Bonds Payable	500,000.00
G.O. Bonds Payable	1,340,000.00
Compensated Absences Payable	16,900.21
Net Pension Liability	3,585,628.00
Total Liabilities	7,145,512.76
DEFERRED INFLOWS OF RESOURCES:	
Changes in Resources Related to Pensions	322,532.00
NET POSITION:	
Net Investment in Capital Assets	2,235,982.14
Restricted for:	
Special Purposes	188,325.01
Food Service	17,675.00
Capital Projects	92,502.73
Debt Service	764,873.43
Unrestricted	(2,240,777.45)
Total Net Position	1,058,580.86

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

UNDERWOOD PUBLIC SCHOOL DISTRICT NO. 8
Underwood, North Dakota

Statement of Activities
For the Year Ended June 30, 2019

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Regular Instruction	1,628,321.91	19,700.00	5,159.08	(1,603,462.83)
Federal Programs	61,776.00		72,319.00	10,543.00
Special Education	336,435.02		7,798.42	(328,636.60)
Vocational Education	35,362.26		4,505.00	(30,857.26)
District Wide Services	51,053.48			(51,053.48)
Administration	388,093.15			(388,093.15)
Operations and Maintenance	490,614.09			(490,614.09)
Student Transportation	201,163.66		67,003.62	(134,160.04)
Student Activities	147,390.34			(147,390.34)
Tuition and Assessments	41,364.66			(41,364.66)
Food Services	139,333.54	75,814.79	42,421.06	(21,097.69)
Other	85,733.39			(85,733.39)
Interest on Long-Term Debt	98,954.34			(98,954.34)
Unallocated Depreciation	93,023.00			(93,023.00)
Total Governmental Activities	3,798,618.84	95,514.79	199,206.18	(3,503,897.87)

General Revenues:	
Taxes:	
Property taxes; levied for general purposes	979,267.76
Property taxes; levied for building purposes	149,911.64
Telecommunications taxes	23,434.09
Coal conversion taxes	26,226.41
Coal severance taxes	89,559.14
Oil and gas production taxes	50,033.88
State aid - not restricted to specific program	2,089,989.96
Federal aid - not restricted to specific program	27,170.21
Earnings on investments and other revenue	61,430.32
Total General Revenues	3,497,023.41
Change in Net Position	(6,874.46)
Net Position - July 1	1,065,455.32
Net Position - June 30	1,058,580.86

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

UNDERWOOD PUBLIC SCHOOL DISTRICT NO. 8
Underwood, North Dakota

Balance Sheet
Governmental Funds
June 30, 2019

	Major Funds			
	General	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and Investments	1,219,450.15		298,872.05	1,518,322.20
Taxes Receivable	51,018.65		7,868.28	58,886.93
Due from County Treasurer	12,259.65		1,868.76	14,128.41
Intergovernmental Receivables	72,319.00		2,943.65	75,262.65
Restricted Assets:				
Cash		764,873.43		764,873.43
Total Assets	1,355,047.45	764,873.43	311,552.74	2,431,473.62
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Salaries and Payroll Benefits Payable	344,277.69			344,277.69
Deferred Inflows of Resources:				
Unavailable Revenue	51,018.65		7,868.28	58,886.93
Total Liabilities and Deferred Inflows of Resources	395,296.34		7,868.28	403,164.62
Fund Balances:				
Restricted for:				
Special Purposes			188,232.02	188,232.02
Food Service			17,675.00	17,675.00
Capital Projects			97,777.44	97,777.44
Debt Service		764,873.43		764,873.43
Unassigned	959,751.11			959,751.11
Total Fund Balances	959,751.11	764,873.43	303,684.46	2,028,309.00
Total Liabilities, Deferred Inflows of Resources and Fund Balances	1,355,047.45	764,873.43	311,552.74	2,431,473.62

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

UNDERWOOD PUBLIC SCHOOL DISTRICT NO. 8
Underwood, North Dakota

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
For the Year Ended June 30, 2019

Total Fund Balances for Governmental Funds		2,028,309.00
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	9,992,391.00	
Less Accumulated Depreciation	(4,570,752.00)	
Net Capital Assets		5,421,639.00
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 unavailable revenue in the funds.		58,886.93
The deferred outflows and inflows of resources reported on the statement of net position are the result of changes in resources related to pensions and do not affect current financial resources.		
Total Deferred Outflows of Resources	673,513.00	
Total Deferred Inflows of Resources	(322,532.00)	
Net Deferred Outflows/Inflows of Resources		350,981.00
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. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities -both current and long-term- are reported in the statement of net position. Balances at June 30, 2019 are:		
Capital Lease Payable	(790,656.86)	
QZAB Bonds Payable	(500,000.00)	
QCSB Bonds Payable	(500,000.00)	
G.O. Bonds Payable	(1,395,000.00)	
Interest Payable	(13,050.00)	
Compensated Absences Payable	(16,900.21)	
Net Pension Liability	(3,585,628.00)	
Total Long-Term Liabilities		(6,801,235.07)
Total Net Position of Governmental Activities		1,058,580.86

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

UNDERWOOD PUBLIC SCHOOL DISTRICT NO. 8
Underwood, North Dakota

Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds
For the Year Ended June 30, 2019

	Major Funds			
	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Local Sources	1,035,423.33	8,234.90	254,191.74	1,297,849.97
County Sources	165,819.43			165,819.43
State Sources	2,171,151.08		1,280.00	2,172,431.08
Federal Sources	102,794.21		41,141.06	143,935.27
Other Sources	13,611.47			13,611.47
Total Revenues	3,488,799.52	8,234.90	296,612.80	3,793,647.22
Expenditures:				
Current:				
Regular Instruction	1,516,091.91			1,516,091.91
Federal Programs	61,776.00			61,776.00
Special Education	336,435.02			336,435.02
Vocational Education	35,362.26			35,362.26
District Wide Services	51,053.48			51,053.48
Administration	388,093.15			388,093.15
Operations and Maintenance	471,281.40		15,838.69	487,120.09
Student Transportation	163,531.66			163,531.66
Student Activities	125,234.34			125,234.34
Tuition and Assessments	41,364.66			41,364.66
Food Services	20,972.40		118,361.14	139,333.54
Other	85,733.39			85,733.39
Capital Outlay	90,200.00			90,200.00
Debt Service:				
Principal	94,388.01		55,000.00	149,388.01
Interest	39,738.51		59,445.00	99,183.51
Total Expenditures	3,521,256.19		248,644.83	3,769,901.02
Excess (Deficiency) of Revenues Over Expenditures	(32,456.67)	8,234.90	47,967.97	23,746.20
Other Financing Sources (Uses):				
Transfers In		64,584.00		64,584.00
Transfers Out			(64,584.00)	(64,584.00)
Total Other Financing Sources (Uses)		64,584.00	(64,584.00)	
Net Change in Fund Balances	(32,456.67)	72,818.90	(16,616.03)	23,746.20
Fund Balance - July 1	992,207.78	692,054.53	320,300.49	2,004,562.80
Fund Balance - June 30	959,751.11	764,873.43	303,684.46	2,028,309.00

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

UNDERWOOD PUBLIC SCHOOL DISTRICT NO. 8
Underwood, North Dakota

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

Net Change in Fund Balances - Total Governmental Funds		23,746.20
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 deprciation exceeded capital outlay in the current year.		
Current Year Capital Outlay	90,200.00	
Current Year Depreciation Expense	(156,305.00)	(66,105.00)
The proceeds of debt issuances are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayment of debt exceeded debt proceeds.		
Debt Proceeds	0.00	
Repayment of Debt	149,388.01	149,388.01
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 Interest Payable	229.17	
Net Decrease in Compensated Absences Payable	1,288.00	
Net Increase to Pension Expense	(113,518.00)	(112,000.83)
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.		
Net Decrease in Taxes Receivable		(1,902.84)
Change in Net Position of Governmental Activities		(6,874.46)

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

UNDERWOOD PUBLIC SCHOOL DISTRICT NO. 8
Underwood, North Dakota

Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2019

	Agency Funds
Assets:	
Cash	113,064.16
Liabilities:	
Due to Student Activities Groups	68,418.82
Due to Other Entities	44,645.34
Total Liabilities	113,064.16

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

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Underwood Public School District No. 8 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 more significant of the government's accounting policies are described below.

A. 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 criteria 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 Underwood Public School District No. 8 as a reporting entity.

B. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities display information about the primary government, Underwood Public School District No. 8. 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 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 fund. 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.

Debt Service Fund. This fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal.

The school district reports the following fund type:

Agency Funds. These funds account for assets held by the school district in a custodial capacity as an agent on behalf of others. The school district's agency funds are used to account for various deposits of the student activity funds, and funds held for other entities and school district employees.

C. 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 are both restricted and unrestricted components of 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.

D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

Investments consist of certificates of deposit stated at cost.

E. 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 the construction phase of capital assets is not capitalized.

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

Buildings	75 years
Vehicles	8 to 10 years

F. Compensated Absences

Vested or accumulated sick leave is reported in the government-wide statement of net position. Compensation for unused sick leave will be granted to all full time employees when they retire or leave the school district. The district's personnel policy requires a payout of $50 for each day of unused sick leave for a maximum total payment of $1,500.

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

G. 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, discounts and issuance costs are recognized in the current period since the amounts are not material.

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.

H. Pensions

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

I. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the school district is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable - Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash such as inventories or prepaid expenses) or (b) legally or contractually required to be maintained intact (i.e., endowment funds).

Restricted - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the school district or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments (i.e., funds restricted by state statute, unspent bond proceeds, grants earned but not spent, debt covenants or taxes raised for a specific purpose).

Committed - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the school board through the adoption of a resolution. The school board also may modify or rescind the commitment.

Assigned - Fund balances are reported as assigned when amounts are constrained by the school district's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The school district reports positive unassigned fund balance only in the general fund. Negative fund balances may be reported in all funds.

Flow Assumptions - When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the school district's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the school district's policy to use fund balance in the following order:

* Committed
* Assigned
* Unassigned

Net Position - Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the school district has not spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.

J. 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.

K. 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.

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, 2019 the school district's carrying amount of deposits was $2,396,260 and the bank balance was $2,574,852. Of the bank balance, $250,000 was covered by Federal Depository Insurance. The remaining balance of $2,324,852 was collateralized with securities held by the pledging financial institution's agent 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, 2019 the school district held certificates of deposit, in the amount of $977,178, which are all considered deposits.

Concentration of Credit Risk

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

Note 3 RESTRICTED CASH

Restricted cash is held at the North Country Bank in the name of the Underwood Public School District to retire the QZAB and QSCB Bonds Payable. See Note 12.

Note 4 TAXES RECEIVABLE

Taxes receivable represents 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 5 DUE FROM COUNTY TREASURER

The amount due from county treasurer consists of the cash on hand for taxes collected but not remitted to the school district at June 30.

Note 6 INTERGOVERNMENTAL RECEIVABLES

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

Note 7 CAPITAL ASSETS

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

	Balance July 1	Increases	Decreases	Balance June 30
Governmental Activities:				
Capital assets being depreciated:				
Buildings	9,344,597			9,344,597
Vehicles	557,594	90,200		647,794
Total	9,902,191	90,200		9,992,391
Less accumulated depreciation for:				
Buildings	3,965,618	93,927		4,059,545
Vehicles	448,829	62,378		511,207
Total	4,414,447	156,305		4,570,752
Governmental Activities Capital Assets, Net	5,487,744	(66,105)	-0-	5,421,639

Depreciation expense was charged to functions/programs of the school district as follows:

Operations and Maintenance	3,494.00
Student Transportation	37,632.00
Student Activities	22,156.00
Unallocated Depreciation	93,023.00
Total Depreciation Expense	156,305.00

Note 8 SALARIES AND PAYROLL BENEFITS PAYABLE

Salaries and payroll benefits payable consists of salaries owed to teachers and benefits owed to federal, state and private agencies for amounts withheld from teacher's salaries as of June 30 but not yet remitted.

Note 9 INTEREST PAYABLE

Interest payable consists of interest on long-term liabilities accrued to June 30, 2019.

Note 10 UNAVAILABLE REVENUE

Unavailable revenue on the fund financial statements consists of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available and include taxes receivable.

Note 11 CAPITAL LEASE PAYABLE

The school district has entered into the following lease agreement to fund an ESG project.

Lease-purchase to fund an ESG project due in annual installments of $134,126.52, which include interest at 4.49%, through August 1, 2026.	790,656.86

This lease agreement qualifies as a capital lease for accounting purposes (title transfers at the end of the lease term). The following is a schedule of the future minimum lease payments under this capital lease, and the net present value of the minimum lease payments at June 30, 2019

Year Ending June 30	Payments
2019	
2020	134,126.52
2021	134,126.52
2022	134,126.52
2023	134,126.52
2024-2027	402,379.56
Total minimum lease payments	938,885.64
Less: amount representing interest	(148,228.78)
Present value of future minimum lease payments	790,656.86

Note 12 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the year ended June 30, 2019, the following changes occurred in liabilities reported in the long-term liabilities - Governmental Activities:

	Balance July 1	Increases	Decreases	Balance June 30	Due Within One Year
Capital Lease Payable	885,045		94,388	790,657	
QZAB Bonds Payable	500,000			500,000	
QSCB Bonds Payable	500,000			500,000	
G.O. Bonds Payable	1,450,000		55,000	1,395,000	55,000
Compensated Absences *	18,188		1,288	16,900	
Total	3,353,233	-0-	150,676	3,202,557	55,000

* The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of increases and decreases.

General Obligation Debt. General obligation debt is a direct obligation and pledges the full faith and credit of the government.

Bonds Payable. The school district has issued general obligation bonds to provide funds for repairs, renovation and improvement to school buildings.

$500,000 Qualified Zone Academy Bonds Series 2005. Interest is 0%. The district is required to deposit $33,334 into an installment fund annually beginning June 15, 2006 through June 15, 2020 at which time a $500,000 balloon payment will be made to retire the debt.	500,000.00

At June 30, 2019, there was $477,863.38 available in the QZAB Lease Installment Fund to retire the QZAB bonds.

$500,000 Qualified School Construction Bonds Series 2010. Interest is 0%. The district is required to deposit $31,250 into an installment fund annually beginning July 1, 2011 through July 1, 2026 at which time a $500,000 balloon payment will be made to retire the debt.	500,000.00

At June 30, 2019, there was $287,010.05 available in the QSCB Sinking Fund to retire the QSCB bonds.

$1,500,000 General Obligation School Building Bonds, Series 2016, due in annual installments of $55,000 to $115,000 through August 1, 2035; interest is at 1% to 3%.	1,395,000.00

The annual requirements to amortize the outstanding general obligation bond debt are as follows:

Year Ending June 30	Principal	Interest
2020	55,000.00	31,045.00
2021	55,000.00	30,426.25
2022	55,000.00	29,738.75
2023	55,000.00	28,845.00
2024	60,000.00	27,695.00
2025-2029	370,000.00	119,075.00
2030-2034	520,000.00	68,535.00
2035-2036	225,000.00	6,825.00
Total	1,395,000.00	342,185.00

Note 13 TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended June 30, 2019:

Fund	Transfer In	Transfer Out
QZAB Lease Installment	33,334.00	
Building		33,334.00

To set-aside funds to repay QZAB bonds.

Fund	Transfer In	Transfer Out
QSCB Sinking	31,250.00	
Building		31,250.00

To set-aside funds to repay QSCB bonds.

Note 14 RISK MANAGEMENT

The Underwood Public School District No. 8 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.

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 to NDIRF for its general liability and automobile insurance coverage. The coverage by NDIRF is limited to losses of $2,000,000 per occurrence for general liability, $1,000,000 for automobile and $85,540 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 $1,561,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The school district has worker's compensation with the Department of Workforce Safety and Insurance; and purchases commercial insurance for employee health and accident insurance.

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

Note 15 PENSION PLANS

1. 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 Board comprised of seven members. The Board consists of the State Treasurer, the Superintendent of Public Instruction and five members appointed by the Governor.

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.

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.

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.

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 for all three categories are determined by NDCC Section 15-39.1-10. *Tier 1* 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. *Tier 2* 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 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 70.5. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

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

At June 30, 2019, the Underwood Public School District reported a liability of $2,961,702 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district's proportion of the net pension liability was based on the district's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2018 the district's proportion was .222207 percent, which was a decrease of .005181 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019 the district recognized pension expense of $219,586. At June 30, 2019 the district reported deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	8,038	80,550
Changes in assumptions	163,155	
Net difference between projected and actual earnings on pension plan investments		10,240
Changes in proportion and differences between employer contributions and proportionate share of contributions		189,140
District contributions subsequent to the measurement date (see below)	188,886	
Total	360,079	279,930

$188,886 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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

Year ended June 30:	
2019	54,727
2020	13,325
2021	(59,306)
2022	(62,883)
2023	(36,357)
Thereafter	(18,243)

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

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

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

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

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

* Investment return assumption lowered from 8% to 7.75%.
* Inflation assumption lowered from 3% to 2.75%.
* Total salary scale rates lowered by 0.25% due to lower inflation.
* Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
* Rates of turnover and retirement were changed to better reflect anticipated future experience.
* Updated mortality assumption to the RP-2014 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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the fund's target asset allocation are summarized in the following table:

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

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2017, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of 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 district's proportionate share of the net pension liability to changes in the discount rate. The following presents the district's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the district's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Rate (7.75%)	1% Increase (8.75%)
The district's proportionate share of the net pension liability	3,999,155	2,961,702	2,098,864

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

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

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

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

Responsibility for administration of the NDPERS benefits program 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 active membership of the NDPERS system; one member elected by the retired public employees; and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

1 to 12 months of service -
Greater of one percent of monthly salary or $25

13 to 24 months of service -
Greater of two percent of monthly salary or $25

25 to 36 months of service -
Greater of three percent of monthly salary or $25

Longer than 36 months of service -
Greater of four percent of monthly salary or $25

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

At June 30, 2019, the Underwood Public School District reported a liability of $623,926 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district's proportion of the net pension liability was based on the district's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2018 the district's proportion was .036971 percent, which was an increase of .006221 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019 the district recognized pension expense of $114,344. At June 30, 2019 the district reported deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	1,651	21,227
Changes in assumptions	225,224	8,905
Net difference between projected and actual earnings on pension plan investments		3,035
Changes in proportion and differences between employer contributions and proportionate share of contributions	58,565	9,435
District contributions subsequent to the measurement date (see below)	27,994	
Total	313,434	42,602

$27,994 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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

Year ended June 30:	
2019	75,631
2020	67,327
2021	57,724
2022	35,908
2023	6,248
Thereafter	0

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

Inflation 3.50%

Salary increases

Service at Beginning of Year	Increase Rate
0	15.00%
1	10.00%
2	8.00%
Age *	
Under 30	10.00%
30 - 39	7.50%
40 - 49	6.75%
50 - 59	6.50%
60+	5.25%

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

Investment rate of return 7.75%, net of investment expenses.
Cost-of-living adjustments None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Morality Table with ages set back one year for males (not set back for females) multiplied by 125%.

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

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2018. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the fund's target asset allocation are summarized in the following table:

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

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

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

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

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

	1% Decrease (5.32%)	Current Rate (6.32%)	1% Increase (7.32%)
The district's proportionate share of the net pension liability	847,799	623,926	437,111

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

UNDERWOOD PUBLIC SCHOOL DISTRICT NO. 8
Underwood, North Dakota

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Local Sources	1,004,900.00	1,004,900.00	1,035,423.33	30,523.33
County Sources	158,000.00	158,000.00	165,819.43	7,819.43
State Sources	2,252,726.00	2,252,726.00	2,171,151.08	(81,574.92)
Federal Sources	99,150.00	103,487.00	102,794.21	(692.79)
Other Sources	3,000.00	3,000.00	13,611.47	10,611.47
Total Revenues	3,517,776.00	3,522,113.00	3,488,799.52	(33,313.48)
Expenditures:				
Current:				
Regular Instruction	1,509,787.90	1,509,787.90	1,516,091.91	(6,304.01)
Federal Programs	68,965.00	63,187.00	61,776.00	1,411.00
Special Education	309,030.85	309,030.85	336,435.02	(27,404.17)
Vocational Education	39,775.96	39,775.96	35,362.26	4,413.70
District Wide Services	50,153.78	50,153.78	51,053.48	(899.70)
Administration	387,899.28	387,899.28	388,093.15	(193.87)
Operations and Maintenance	450,760.47	450,760.47	471,281.40	(20,520.93)
Student Transportation	151,031.80	151,031.80	163,531.66	(12,499.86)
Student Activities	128,599.03	128,599.03	125,234.34	3,364.69
Tuition and Assessments	33,000.00	33,000.00	41,364.66	(8,364.66)
Food Service	69,190.63	69,190.63	20,972.40	48,218.23
Other	85,373.54	85,373.54	85,733.39	(359.85)
Capital Outlay	90,200.00	90,200.00	90,200.00	
Debt Service:				
Principal	94,388.01	94,388.01	94,388.01	
Interest	38,823.02	38,823.02	39,738.51	(915.49)
Total Expenditures	3,506,979.27	3,501,201.27	3,521,256.19	(20,054.92)
Net Change in Fund Balances	10,796.73	20,911.73	(32,456.67)	(53,368.40)
Fund Balance - July 1	992,207.78	992,207.78	992,207.78	
Fund Balance - June 30	1,003,004.51	1,013,119.51	959,751.11	(53,368.40)

Notes to the Budgetary Comparison Schedules
June 30, 2019

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

Based upon available financial information and requests by the governing board, the business manager prepares 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 by 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.

Note 2 LEGAL COMPLIANCE

Budget Amendments

The governing board approved the following amendments to the school district's budget for the year ending June 30, 2019:

	Estimated Revenues		
	Original Budget	Amendments	Amended Budget
General Fund	3,517,776	4,337	3,522,113

	Appropriations		
	Original Budget	Amendments	Amended Budget
General Fund	3,506,979	(5,778)	3,501,201

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the general fund by $20,054.92 for the year ended June 30, 2019. No remedial action is anticipated or required by the school district regarding these excess expenditures.

UNDERWOOD PUBLIC SCHOOL DISTRICT NO. 8
Underwood, North Dakota

Schedule of Employer's Share of Net Pension Liability
ND Teacher's Fund for Retirement
Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.222207%	0.227388%	0.235818%	0.242190%	0.245590%
District's proportionate share of the net pension liability	2,961,702	3,123,231	3,454,875	3,167,494	2,573,348
District's covered-employee payroll	1,505,371	1,545,836	1,320,457	1,489,725	1,424,552
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	196.74%	202.04%	261.64%	212.62%	180.64%
Plan fiduciary net position as a percentage of the total pension liability	65.5%	63.2%	59.2%	62.1%	66.6%

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

	2019	2018	2017	2016	2015
Statutorily required contribution	191,935	197,094	168,358	189,939	153,138
Contributions in relation to the statutorily required contribution	(191,935)	(197,094)	(168,358)	(189,939)	(153,138)
Contribution deficiency (excess)	0	0	0	0	0
District's covered-employee payroll	1,505,371	1,545,836	1,320,457	1,489,725	1,424,552
Contributions as a percentage of covered-employee payroll	12.75%	12.75%	12.75%	12.75%	10.75%

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

- For changes of assumptions, see Note 15 to the financial statements.

UNDERWOOD PUBLIC SCHOOL DISTRICT NO. 8
Underwood, North Dakota

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

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.036971%	0.030750%	0.032214%	0.027929%	0.030156%
District's proportionate share of the net pension liability	623,926	494,253	313,957	201,085	191,407
District's covered-employee payroll	371,266	335,288	309,061	306,356	242,269
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	168.05%	147.41%	101.58%	65.64%	79.01%
Plan fiduciary net position as a percentage of the total pension liability	62.80%	61.98%	70.46%	77.15%	77.70%

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

	2019	2018	2017	2016	2015
Statutorily required contribution	26,434	23,873	22,005	21,812	16,203
Contributions in relation to the statutorily required contribution	(26,434)	(23,873)	(22,005)	(21,812)	(16,203)
Contribution deficiency (excess)	0	0	0	0	0
District's covered-employee payroll	371,266	335,288	309,061	306,356	242,269
Contributions as a percentage of covered-employee payroll	7.12%	7.12%	7.12%	7.12%	6.65%

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

- For changes of assumptions, see Note 15 to the financial statements.

UNDERWOOD PUBLIC SCHOOL DISTRICT NO. 8
Underwood, North Dakota

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

	Special Reserve	Food Service	Building	Total Nonmajor Governmental Funds
ASSETS:				
Cash and Investments	188,232.02	14,731.35	95,908.68	298,872.05
Taxes Receivable	92.99		7,775.29	7,868.28
Due from County Treasurer			1,868.76	1,868.76
Intergovernmental Receivables		2,943.65		2,943.65
Total Assets	188,325.01	17,675.00	105,552.73	311,552.74
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Deferred Inflows of Resources:				
Unavailable Revenue	92.99		7,775.29	7,868.28
Fund Balances:				
Restricted for:				
Special Purposes	188,232.02			188,232.02
Food Service		17,675.00		17,675.00
Capital Projects			97,777.44	97,777.44
Total Fund Balances	188,232.02	17,675.00	97,777.44	303,684.46
Total Deferred Inflows of Resources and Fund Balances	188,325.01	17,675.00	105,552.73	311,552.74

UNDERWOOD PUBLIC SCHOOL DISTRICT NO. 8
Underwood, North Dakota

Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	Special Reserve	Food Service	Building	Total Nonmajor Governmental Funds
Revenues:				
Local Sources	2,589.75	75,853.20	175,748.79	254,191.74
State Sources		1,280.00		1,280.00
Federal Sources		41,141.06		41,141.06
Total Revenues	2,589.75	118,274.26	175,748.79	296,612.80
Expenditures:				
Current:				
Food Services		118,361.14		118,361.14
Operations and Maintenance			15,838.69	15,838.69
Debt Service:				
Principal			55,000.00	55,000.00
Interest			59,445.00	59,445.00
Total Expenditures		118,361.14	130,283.69	248,644.83
Excess (Deficiency) of Revenues Over Expenditures	2,589.75	(86.88)	45,465.10	47,967.97
Other Financing (Uses):				
Transfers Out			(64,584.00)	(64,584.00)
Net Change in Fund Balances	2,589.75	(86.88)	(19,118.90)	(16,616.03)
Fund Balance - July 1	185,642.27	17,761.88	116,896.34	320,300.49
Fund Balance - June 30	188,232.02	17,675.00	97,777.44	303,684.46

UNDERWOOD PUBLIC SCHOOL DISTRICT NO. 8
Underwood, North Dakota

Schedule of Fund Activity Arising from Client Transactions

For the Year Ended June 30, 2019

	Balance 7-1-18	Revenues	Transfers In	Transfers Out	Expenditures	Balance 6-30-19
General Fund	979,803.08	3,488,944.57			3,521,256.19	947,491.46
Special Revenue Funds						
Special Reserve	185,637.85	2,594.17				188,232.02
Food Service	17,761.88	109,026.60			109,113.48	17,675.00
Total Special Revenue Funds	203,399.73	111,620.77			109,113.48	205,907.02
Debt Service Fund						
QZAB Lease Installment	439,288.62	5,240.76	33,334.00			477,863.38
QSCB Sinking	252,765.91	2,994.14	31,250.00			287,010.05
Total Debt Service Fund	692,054.53	8,234.90	64,584.00			764,873.43
Capital Projects Fund						
Building	115,011.27	175,765.10		64,584.00	130,283.69	95,908.68
Fiduciary Fund						
Agency Funds						
Student Activity Funds	59,900.60	80,981.25			72,463.03	68,418.82
CMC Cooperative	30,155.18	101,636.57			87,146.41	44,645.34
Total Fiduciary Fund	90,055.78	182,617.82			159,609.44	113,064.16
Total All Funds	2,080,324.39	3,967,183.16	64,584.00	64,584.00	3,920,262.80	2,127,244.75

The above schedule is reported on a client basis, which includes client adjustments to cash and investments for intergovernmental receivables in the general fund and food service fund and salaries and payroll benefits payable in the general fund and CMC Cooperative fund.

Rath & Mehrer

Certified Public Accountants

Specializing in Governmental Auditing

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425 North Fifth Street
Bismarck, ND 58501

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*

INDEPENDENT AUDITOR'S REPORT

Governing Board
Underwood Public School District No. 8
Underwood, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Underwood Public School District No. 8, Underwood, North Dakota, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the school district's basic financial statements, and have issued our report thereon dated August 23, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2019-001 and 2019-002, that we consider to be significant deficiencies.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

School District's Response to Findings

The school district's response to the findings identified in our audit are described in the accompanying *Schedule of Findings and Responses*. The school district's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Rath and Mehrer

Rath and Mehrer, P.C.

Bismarck, North Dakota

August 23, 2019

UNDERWOOD PUBLIC SCHOOL DISTRICT NO. 8
Underwood, North Dakota

Schedule of Findings and Responses
For the Year Ended June 30, 2019

SECTION I - SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:	
Governmental Activities	Unmodified
Major Governmental Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting:

* Material weakness(es) identified?	____Yes	X No
* Significant deficiency(ies) identified?	X Yes	____None Reported
Noncompliance Material to financial statements noted?	____Yes	X No

SECTION II - FINANCIAL STATEMENT FINDINGS:

Significant Deficiencies

1. 2019-001 Segregation of Duties

Condition: The school district has one person responsible for most accounting functions. The employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger and prepare bank reconciliations.

Criteria: To ensure adequate internal control over financial reporting and prevent material misstatements due to errors or fraud, there should be a segregation of the functions of approval, custody of assets, posting and reconciliation.

Cause: The school district does not have a large enough staff to properly segregate all duties.

Effect: A lack of segregation of duties leads to a limited degree of internal control.

Recommendation: Segregation of duties would provide better control over the assets of the school district. However, due to the size of the school district, it is not feasible to obtain proper separation of duties. These functions should be monitored by the Administrator and the Governing Board.

Views of Responsible Officials and Planned Corrective Actions: The school district is aware of the condition and segregates duties whenever possible.

2. 2019-002 Financial Statement Preparation

Condition: The school district's financial statements, including the accompanying note disclosures, are prepared by the school district's external auditors.

Criteria: A good system of internal controls requires the school district to determine that the financial statements are prepared based on accounting principles generally accepted in the United States of America. This means that the school district must maintain knowledge of current accounting principles and required financial statement disclosures.

Cause: The school district does not have the internal expertise needed to handle all aspects of the external financial reporting.

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

Recommendation: For entities of the school district's size, it generally is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting.

Views of Responsible Officials and Planned Corrective Actions: The school district will continue to have the external auditors prepare the financial statements, including note disclosures, but will review and approve them prior to external distribution.

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APPENDIX B

Form of Legal Opinion

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December 11, 2019

Underwood Public School District No. 8
123 Summit St.
PO Box 100
Underwood, ND 58576

Northland Securities, Inc.
2675 N. Mayfair Rd., Suite 550
Milwaukee, WI 53226

$860,000
UNDERWOOD PUBLIC SCHOOL DISTRICT NO. 8
STATE AID REFUNDING CERTIFICATES OF INDEBTEDNESS, SERIES 2019

We have acted as Bond Counsel in connection with the issuance by the Underwood Public School District No. 8, Mercer and McLean Counties, North Dakota (the "**Issuer**"), of $860,000 State Aid Refunding Certificates of Indebtedness, Series 2019 dated December 11, 2019 (the "**Certificates**"), issued pursuant to North Dakota Century Code, Chapter 21-02 and the Resolution Authorizing Issuance adopted by the Issuer on November 19, 2019 (the "**Resolution**").

In such capacity, we have examined the law and such certified proceedings and other documents as we have deemed necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, as of the date hereof and under existing law, as follows:

1. The Issuer validly exists as a body corporate and politic and public instrumentality of the State of North Dakota with the power to adopt the Resolution, to perform the agreements on its part contained therein and issue the Certificates.

2. The Resolution has been duly adopted by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable against the Issuer. The Resolution creates a valid lien on the State Appropriations to be received from the State of North Dakota (the "State Appropriations") by the Issuer for the payment of the Certificates.

3. The Certificates have been duly authorized, executed and delivered by the Issuer and are valid and binding limited obligations of the Issuer, payable solely from the State Appropriations pledged under the Resolution.

4. Interest on the Certificates is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinion set forth in the preceding sentence is subject to the condition that the Issuer complies with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Certificates in order that interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Certificates to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Certificates. We express no opinion regarding other federal tax consequences arising with respect to the Certificates.

5. The interest on the Certificates is excludable from gross income for State of North Dakota income tax purposes.

The rights of the owners of the Certificates and the enforceability of the Certificates and the Resolution are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We have not been engaged or undertaken to review the accuracy, completeness, or sufficiency of the official statement or other offering material relating to the Certificates (except to the extent, if any, stated in the official statement) and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the official statement).

This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in laws that may hereafter occur.

Sincerely,

ARNTSON STEWART WEGNER PC