

NEW ISSUE: BOOK-ENTRY ONLY

MOODY'S RATING: "A2" (Underlying)
"Aa2" (Enhanced)

North Dakota Credit Enhancement Program

In the opinion of Bond Counsel, the interest to be paid on the Bonds is includable in gross income of the recipient for United States or State of North Dakota income tax purposes. See "STATE AND FEDERAL TAX CONSIDERATIONS" contained herein.

OFFICIAL STATEMENT

\$5,145,000 GENERAL OBLIGATION SCHOOL BUILDING REFUNDING BONDS, TAXABLE SERIES 2021 NEDROSE PUBLIC SCHOOL DISTRICT NO. 4 (WARD COUNTY, NORTH DAKOTA)

Dated: February 17, 2021

Principal Due: August 1, 2023 through 2033

The \$5,145,000 General Obligation School Building Refunding Bonds, Taxable Series 2021 (the "Bonds") issued by Nedrose Public School District No. 4, North Dakota (the "District") will be issued pursuant to Chapter 21-03 of the North Dakota Century Code for the purpose of (i) crossover refunding the District's General Obligation Bonds, Series 2014 and (ii) paying the costs associated with the issuance of the Bonds. The Bonds are general obligations of the District payable from ad valorem taxes on all taxable property within the corporate limits of the District. The District is required by law to include in its annual levy the principal and interest amounts coming due to the extent the necessary funds are not provided from other sources.

The Bonds will be issued as fully registered Bonds 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 Bonds. 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 bonds representing their interest in the Bonds purchased. Principal of the Bonds, is payable annually on August 1, commencing August 1, 2023, and interest, payable semiannually on each February 1 and August 1 commencing August 1, 2021, 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 Bonds as described herein.

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

<u>Year</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>	<u>Year</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2023	\$ 460,000	0.250%	0.250%	639834 CL2	2029	\$ 465,000	1.150%	1.150%	639834 CS7
2024	460,000	0.350%	0.350%	639834 CMO	2030	475,000	1.250%	1.250%	639834 CT5
2025	455,000	0.400%	0.400%	639834 CN8	2031	480,000	1.350%	1.350%	639834 CU2
2026	460,000	0.600%	0.600%	639834 CP3	2032	485,000	1.450%	1.450%	639834 CV0
2027	460,000	0.750%	0.750%	639834 CQ1	2033	485,000	1.550%	1.550%	639834 CW8
2028	460,000	1.000%	1.000%	639834 CR9					

The Bonds maturing on August 1, 2029 and thereafter are subject to optional redemption on August 1, 2028 and any date thereafter at a price of par plus accrued interest to the redemption date.

NOT BANK QUALIFIED: The Bonds are not "Qualified Tax-Exempt Obligations."

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

REGISTRAR/PAYING AGENT: US Bank National Association, St. Paul, Minnesota

DELIVERY: On or about February 17, 2021.

BNY Mellon Capital Markets, LLC has agreed to purchase the Bonds from the District for a purchase price of **\$5,108,062.74**. The Bonds are expected to be available for delivery on or about **February 17, 2021**.

The date of this Official Statement is January 21, 2021.

(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.)

BNY Mellon Capital Markets, LLC



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 be any sale of the Bonds 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 BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS 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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INTRODUCTION TO THE OFFICIAL STATEMENT

The following information is furnished solely to provide limited introductory information regarding the \$5,145,000 General Obligation School Building Refunding Bonds, Taxable Series 2021 (the "Bonds") issued by Nedrose Public School District No. 4, 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:	Nedrose Public School District No. 4, North Dakota.						
Authority of Issuance:	The Bonds are issued pursuant to Chapter 21-03 of the North Dakota Century Code.						
Purpose:	The proceeds of the Bonds will be used for the purpose of (i) crossover refunding the District's General Obligation Bonds, Series 2014 and (ii) paying the costs associated with the issuance of the Bonds.						
Security:	Principal and interest on the Bonds will be payable from ad valorem taxes levied, without limitation as to rate and amount, against all taxable property within the District.						
Dated Date:	February 17, 2021						
Principal Payment:	Principal of the Bonds is payable annually on August 1, of the years 2023 through 2033.						
Interest Payment:	Interest on the Bonds is payable on February 1 and August 1, commencing August 1, 2021.						
Redemption Provisions:	The Bonds maturing on August 1, 2029 and thereafter are subject to optional redemption on August 1, 2028 and any date thereafter at a price of par plus accrued interest.						
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 Bonds 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 Bonds will be issued in book-entry form only. See "Book-Entry Only System" herein.						
Tax Status:	The Bonds are <u>not</u> generally exempt from federal and state income taxes (see "STATE AND FEDERAL TAX CONSIDERATIONS" herein).						
Professional Consultants:	<table><tr><td><i>Municipal Advisor:</i></td><td>PFM Financial Advisors LLC Minneapolis, Minnesota</td></tr><tr><td><i>Bond Counsel:</i></td><td>Arntson Stewart Wegner PC Bismarck, North Dakota</td></tr><tr><td><i>Paying Agent:</i></td><td>U.S. Bank National Association St. Paul, Minnesota</td></tr></table>	<i>Municipal Advisor:</i>	PFM Financial Advisors LLC Minneapolis, Minnesota	<i>Bond Counsel:</i>	Arntson Stewart Wegner PC Bismarck, North Dakota	<i>Paying Agent:</i>	U.S. Bank National Association St. Paul, Minnesota
<i>Municipal Advisor:</i>	PFM Financial Advisors LLC Minneapolis, Minnesota						
<i>Bond Counsel:</i>	Arntson Stewart Wegner PC Bismarck, North Dakota						
<i>Paying Agent:</i>	U.S. Bank National Association St. Paul, Minnesota						
Delivery:	On or about February 17, 2021						

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 Underwriter(s). The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this 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 Bonds or the Official Statement can be directed to, and additional copies of the Official Statement, the District's audited financial reports and the documents described herein may be obtained from, PFM Financial Advisors LLC, 50 South Sixth Street, Suite 2250, Minneapolis, Minnesota 55402 (612/338-3535 or 612/338-7264 fax), the District's Municipal Advisor.

(The remainder of this page has been left blank intentionally.)

DESCRIPTION OF THE BONDS

Authority for Issuance

The Bonds are being issued by the District pursuant to a Resolution to be adopted by the School Board (the “Resolution”) on January 20, 2021, and pursuant to the provisions of Chapter 21-03 of the North Dakota Century Code, as amended.

Purpose

The proceeds of the Bonds will be used for the purpose of (i) effecting a crossover refunding of the 2023-2033 maturities of the District’s General Obligation Building Fund Bonds, Series 2014, dated June 4, 2014, and (ii) paying the costs associated with the issuance of the Bonds. The Refunded Bonds were issued to provide funds for construction of the District’s middle/high school, and the remodeling and improvement of school buildings. The District intends to call the Refunded Bonds on August 1, 2022 (the “Redemption Date”).

Table 1 below provides a list of the outstanding maturities and amounts of the Refunded Bonds and the maturities and amounts to be refunded.

Table 1
Plan of Refunding

<u>Series</u>	<u>Outstanding Maturities</u>	<u>Amount Outstanding</u>	<u>CUSIP</u>	<u>Call Date</u>	<u>Call Price</u>	<u>Par Amount of Bonds to be Refunded</u>
2014	2021	\$ 390,000	639834BC3	Non-callable	--	\$ --
	2022	395,000	639834BD1	Non-callable	--	--
	2023	400,000	639834BE9	8/1/2022	100%	400,000
	2024	410,000	639834BF6	8/1/2022	100%	410,000
	2025	415,000	639834 BG4	8/1/2022	100%	415,000
	2026	425,000	639834 BH2	8/1/2022	100%	425,000
	2027	435,000	639834 BJ8	8/1/2022	100%	435,000
	2028	445,000	639834 BK5	8/1/2022	100%	445,000
	2029	460,000	639834 BL3	8/1/2022	100%	460,000
	2030	475,000	639834 BM1	8/1/2022	100%	475,000
	2031	490,000	639834 BN9	8/1/2022	100%	490,000
	2032	505,000	639834 BP4	8/1/2022	100%	505,000
	2033	<u>520,000</u>	639834 BQ2	8/1/2022	100%	<u>520,000</u>
Total		<u>\$ 5,765,000</u>				<u>\$ 4,980,000</u>

The District will deposit the proceeds of the Bonds and other funds into an Escrow Account, in such amount as may be required to be invested in securities authorized for such purpose by North Dakota Century Code maturing on such dates and bearing interest at such rates as are required to provide funds sufficient, along with cash retained in the Escrow Account, to pay principal of the Refunded Bonds on the redemption date, and to pay interest due on the Refunding Bonds to and including the redemption date.

Security and Source of Payment

The Bonds are valid and binding general obligations of the District payable from ad valorem taxes on all taxable property located in the District. The District is required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent the necessary funds are not provided from other sources.

North Dakota School District 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 on the Obligations, 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 bonds; 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 currently outstanding issues in the credit enhancement program is \$762,500 in the fiscal year ending June 30, 2022. The total state aid due to the District for the 2020-21 school year is \$5,302,298. The state aid provides 6.95 times coverage for the maximum annual debt service of all outstanding bonds in the Program.

Redemption Provisions

Optional Redemption

The Bonds maturing on August 1, 2029 and thereafter are subject to optional redemption on August 1, 2028 and any date thereafter at a price of par plus accrued interest to the redemption date.

Interest

Interest on the Bonds is payable annually on each February 1 and August 1, commencing August 1, 2021. 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 Bonds are as follows:

Table 2
Sources and Uses of Funds

Sources of Funds	
Par Amount	<u>\$ 5,145,000.00</u>
Total Sources of Funds	<u>\$ 5,145,000.00</u>
Uses of Funds	
Deposit to Escrow Account	\$ 5,041,402.64
Cost of Issuance/ Underwriter’s Discount	102,337.26
Additional Proceeds	<u>1,260.10</u>
Total Uses of Funds	<u>\$ 5,145,000.00</u>

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 Bonds. The Bonds 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 Bonds, 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds 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 Bonds 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. The deposit of Bonds 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 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds 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.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds within a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds 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 Bonds 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 BONDS; (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 BONDS.

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.

Continuing Disclosure

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (the "Rule"), the District has agreed for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data and financial statements relating to the District by not later than 12 months after the end of the District's fiscal year (the "Annual Report"), commencing with the report for the fiscal year ended June 30, 2021, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report is to be filed with the MSRB through its Electronic Municipal Market Access system (EMMA) at www.emma.msrb.org. The notices of material events are to be filed with the Municipal Securities Rulemaking Board. The details and terms of the Undertaking, as well as the information to be contained in the annual report or the notices of material events are set forth in the Continuing Disclosure Certificate to be executed and delivered by the District at the time the Bonds are delivered. Such Certificate will be in substantially the form attached hereto as Appendix C.

In the last five years, the District has never failed to comply in all material respects with its previous undertakings under the Rule. Breach of the Disclosure Covenants will not constitute a default or an "Event of Default" under the Bonds or 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 Bonds 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 Bonds and their market price.

THE DISTRICT

The Nedrose Public School District No. 4 serves approximately 592 students in grades K-12 and encompasses a geographic area of 24.2 square miles in the communities of Minot and Surrey. The District is located in Ward County in the north central area of North Dakota. The District has an estimated population of 1,986 and operates two building's, Nedrose Elementary School and Nedrose High School.

Table 3 provides a description of the District's current facilities.

Table 3
District Facilities

<u>Building</u>	<u>Year Built</u>	<u>Additions</u>	<u>Grades</u>	<u>Estimated Capacity</u>	<u>Current Enrollment</u>
Nedrose Elementary	1953	1982	K-3	250	220
Nedrose High School	2015		4-12	450	372

Organization

The School Board meets on the third Wednesday of each month. Table 4 and Table 5 below present the school board member and administration officials for the District.

Table 4
School Board

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
James Vannett	<i>President</i>	2022
Holly Brekhus	<i>Member</i>	2021
Todd Awalt	<i>Member</i>	2023
Robert Kraus	<i>Member</i>	2022
Christopher Sutton	<i>Member</i>	2021

Table 5
Administration

<u>Name</u>	<u>Position</u>
Matthew Norby	<i>Superintendent</i>
Connie Marcellais	<i>Business Manager</i>

Enrollment

The District's enrollment for the 2020/21 school year is 592 students. Enrollments in the District for the last five years are set forth in Table 6 below.

Table 6
District Enrollment

<u>School Year</u>	<u>Students</u>
2020/21	592
2019/20	552
2018/19	565
2017/18	530
2016/17	472

Source: The District.

Pension Plans

Substantially all employees of the District are members of the Teachers' Fund for Retirement ("TFFR") or the North Dakota Public Employees Retirement System ("NDPERS").

Teachers' Fund for Retirement

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.

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 a 100% funded ratio on an actuarial basis.

The following table shows the employer's share of net pension liability and contributions for the pension plan for fiscal year 2019:

<u>Pension Plan</u>	District's Portion of Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered- Employee Payroll	District's Proportionate Share of Net Pension Liability (Asset) as % of Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
TFFR	0.405366%	\$ 5,402,959	\$ 2,755,718	196.06%	65.50%

<u>Pension Plan</u>	Statutorily Required Contribution	Contributions Made	Contribution Deficiency (Excess)	District's Covered Employee Payroll	Contributions as % of Covered Employee Payroll
TFFR	\$ 391,695	\$ (391,695)	--	\$ 3,072,119	12.75%

For additional information, see Note 7 of the District's Audit Report for the Year Ended June 30, 2019.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population

Table 7 shows the population of the City of Minot and Ward County as recorded in the past four decennial censuses plus a recent estimate.

Table 7
Population Statistics

<u>Census Year</u>	<u>City of Minot</u>	<u>Ward County</u>
2019 Estimate	47,382	67,641
2010	40,888	61,675
2000	36,567	58,795
1990	34,544	57,921
1980	32,843	58,392

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

Labor Force and Unemployment Statistics

Average annual labor force and unemployment rates for the City of Minot and Ward County 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
Average Annual Employment Figures

<u>Year</u>	<u>City of Minot</u>		<u>Ward County</u>		<u>North Dakota</u>	<u>United States</u>
	<u>Labor Force</u>	<u>Unemployment Rate</u>	<u>Labor Force</u>	<u>Unemployment Rate</u>	<u>Unemployment Rate</u>	<u>Unemployment Rate</u>
2020 ⁽¹⁾	22,764	4.9%	30,972	4.9%	4.0%	6.7% ⁽²⁾
2019	23,057	2.4%	31,394	2.5%	2.4%	3.7%
2018	23,306	2.7%	31,739	2.8%	2.6%	3.9%
2017	23,650	3.2%	32,466	3.3%	2.7%	4.4%
2016	24,477	4.1%	33,522	4.1%	3.1%	4.9%
2015	24,933	3.1%	34,195	3.2%	2.8%	5.3%

⁽¹⁾ As of October 2020

⁽²⁾ As of November 2020

Source: Job Service of North Dakota

Major Employers

Table 9 presents a listing of the principal employers in the City of Minot.

Table 9
Principal Employers

<u>Employer</u>	<u>Employees</u>
Minot Air Force Base	6,736
Trinity Health	2,480
Minot Public School District	1,049
Marketplace Foods	476
City of Minot	414
Minot State University	407
MLT Inc.	366
BNSF Railway	360
Kalix (MVAW)	359
Ward County	285

Source: City of Minot and Minot Area Development Corporation.

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FINANCIAL SUMMARY

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

2020/21 Market Value (100%)			\$ 506,381,680
2020/21 Assessed Value (50%)			\$ 253,190,840
2020/21 Taxable Value			\$ 23,999,065
General Obligation Long-Term Debt (Includes This Issue)			\$ 16,583,786
Lease Obligations			\$ 3,185,000
Overlapping Debt			\$ 4,439,369
Population (U.S. Census Bureau 2019 Estimate)			1,986
Land Area			24.2 square miles
Debt Ratios:			
	<u>Amount</u>	<u>Debt Per Capita (1,986)</u>	<u>% of Market Value</u>
General Obligation Long-Term Debt	\$ 16,583,786	\$ 8,350	3.27%
Lease Obligations	3,185,000	1,604	0.63%
Overlapping Debt	<u>4,439,369</u>	<u>2,235</u>	<u>0.88%</u>
Total Long-Term Debt	<u>\$ 24,208,155</u>	<u>\$ 12,189</u>	<u>4.77%</u>

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DEBT STRUCTURE

General Obligation Long-Term Debt

Table 9 below and Table 10 below summarize the District's outstanding general obligation long-term debt as of the issuance of the Bonds.

Table 10
Debt by Issue

<u>Date</u>	<u>Purpose</u>	<u>Original Issue Size</u>	<u>Interest Range</u>	<u>Maturity Dates</u>	<u>Principal Amount Outstanding</u>
05/01/14	School Building Bonds	\$ 8,000,000	2.00% - 3.625%	08/01/21-22	\$ 785,000 ⁽¹⁾
05/01/15	Building Fund Bonds	3,070,000	2.00% - 3.50%	08/01/21-34	2,395,000
10/27/15	State School Construction Loan	10,000,000	2.00%	10/01/21-35	8,258,786
02/17/21	School Building Refunding	5,145,000	0.25% - 1.55%	08/01/23-33	<u>5,145,000</u>
Total General Obligation Long-Term Debt					<u>\$ 16,583,786</u>

⁽¹⁾ The 2023 through 2033 maturities will be refunded by the Bonds.

Table 11
Annual Maturity Schedule

<u>Bond Year</u>	<u>Outstanding</u>		<u>This Issue</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2021	\$ 920,934	\$ 241,401	\$ --	\$ 21,732 ⁽¹⁾	\$ 1,184,067
2022	945,219	222,887	--	47,705 ⁽¹⁾	1,215,811
2023	575,480	203,389	460,000	47,705	1,286,574
2024	596,767	191,774	460,000	46,555	1,295,096
2025	624,131	179,728	455,000	44,945	1,303,804
2026	652,628	167,130	460,000	43,125	1,322,883
2027	677,314	153,955	460,000	40,365	1,331,634
2028	708,250	139,456	460,000	36,915	1,344,621
2029	740,499	124,306	465,000	32,315	1,362,120
2030	774,127	108,042	475,000	26,968	1,384,137
2031	809,205	91,061	480,000	21,030	1,401,296
2032	845,805	72,871	485,000	14,550	1,418,226
2033	884,005	53,891	485,000	7,518	1,430,414
2034	923,886	33,114	--	--	957,000
2035	<u>760,536</u>	<u>11,455</u>	<u>--</u>	<u>--</u>	<u>771,991</u>
Total	<u>\$ 11,438,786</u>	<u>\$ 1,994,460</u>	<u>\$ 5,145,000</u>	<u>\$ 431,427</u>	<u>\$ 19,009,674</u>

⁽¹⁾ To be paid from the Escrow Account.

Lease Obligations

Table 12 and Table 13 below summarize the District's outstanding lease obligations as of January 1, 2021.

Table 12
Lease Obligations by Issue

<u>Date</u>	<u>Purpose</u>	<u>Original Issue Size</u>	<u>Interest Range</u>	<u>Maturity Dates</u>	<u>Principal Amount Outstanding</u>
06/10/15	Lease Revenue	\$ 3,945,000	3.00% - 4.00%	05/01/21-35	<u>\$ 3,185,000</u>
Total Lease Obligations					<u>\$ 3,185,000</u>

Table 13
Lease Obligation Annual Maturity Schedule

<u>Bond Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 170,000	\$ 107,725	\$ 277,725
2022	175,000	102,625	277,625
2023	180,000	97,375	277,375
2024	185,000	91,975	276,975
2025	190,000	86,425	276,425
2026	195,000	80,725	275,725
2027	205,000	74,875	279,875
2028	210,000	68,725	278,725
2029	215,000	61,900	276,900
2030	225,000	54,913	279,913
2031	230,000	47,037	277,037
2032	240,000	38,988	278,988
2033	245,000	29,987	274,987
2034	255,000	20,800	275,800
2035	<u>265,000</u>	<u>10,600</u>	<u>275,600</u>
Total	<u>\$ 3,185,000</u>	<u>\$ 974,675</u>	<u>\$ 4,159,675</u>

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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. At the election on February 20, 2014, the voters of the District voted to increase the debt limit by 5%. 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 14 presents the debt limit of the District.

Table 14
Debt Limit Computation

Assessed Value (2020/21)	\$ 253,190,840
Limit Percentage	<u>10.00%</u>
Authorized Debt Limit (100.00%)	\$ 25,319,084
Debt Subject to Limit (65.50%)	<u>16,583,786</u>
Debt Margin (34.50%)	<u>\$ 8,735,298</u>

Overlapping Debt

There are four taxing jurisdictions which overlap the District and have general obligation debt as of January 1, 2021. Table 15 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 15
Overlapping Debt

	General Obligation Debt	% of Debt Allocable to the District	Portion Allocable to the District
Ward County	\$ 25,395,000	7.34%	\$ 1,863,993
City of Minot	26,435,000	6.27%	1,657,475
Minot Park District	13,220,000	6.27%	828,894
Surrey City	3,991,371	2.23%	<u>89,008</u>
Total			<u>\$ 4,439,369</u>

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, 2017 through 2019 is 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 16 below presents a statement of revenues, expenditures and changes in the District's general fund balance for the fiscal years ended June 30, 2017 through 2019, and unaudited results from the fiscal year ended June 30, 2020.

Table 16
Statement of Revenues, Expenditures and
Changes in Fund Balance for the General Fund
(Years Ended June 30)

Revenues	<u>2020⁽¹⁾</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Local Sources	\$ 1,494,344	\$ 1,441,094	\$ 1,628,174	\$ 1,571,555
State Sources	5,268,857	4,966,225	4,361,817	3,935,185
Federal Sources	307,159	217,443	148,982	165,818
Other Sources	<u>2,040</u>	<u>2,740</u>	<u>3,444</u>	<u>2,024</u>
Total Revenues	<u>\$ 7,072,400</u>	<u>\$ 6,627,502</u>	<u>\$ 6,142,417</u>	<u>\$ 5,674,582</u>
Expenditures				
Regular Programs	\$ 3,132,159	\$ 2,817,705	\$ 2,547,816	\$ 2,281,717
Federal Programs	285,491	206,681	148,982	159,521
Special Education	552,070	530,552	588,989	526,322
Student Transportation	227,032	387,429	251,253	249,759
Tuition	224,862	198,334	326,345	247,996
Capital Outlay	60,240	75,000	290,899	499,064
Other Expenditures	<u>1,984,668</u>	<u>1,933,626</u>	<u>1,953,909</u>	<u>1,718,158</u>
Total Expenditures	<u>\$ 6,466,522</u>	<u>\$ 6,149,327</u>	<u>\$ 6,108,193</u>	<u>\$ 5,682,537</u>
Excess of Revenues over Expenditures	\$ 605,878	\$ 478,175	\$ 34,315	\$ (7,955)
Transfers In (Out)	(75,000)	(50,000)	(35,000)	(28,500)
Net Change in Fund Balances	<u>530,878</u>	<u>428,175</u>	<u>(685)</u>	<u>(455)</u>
Fund Balance - July 1	<u>\$ 1,953,834</u>	<u>\$ 1,525,659</u>	<u>\$ 1,526,344</u>	<u>\$ 1,562,799</u>
Fund Balance - June 30	<u>\$ 2,484,712</u>	<u>\$ 1,953,834</u>	<u>\$ 1,525,659</u>	<u>\$ 1,562,344</u>

⁽¹⁾ Unaudited.

General Fund Budget

Table 17 provides a summary of the District's budget for the General Fund for the 2020/21 school year.

Table 17
2020/21 General Fund Budget

Revenues	
Local Sources	\$ 3,516,300
County Sources	2,200
State Sources	5,571,423
Federal Sources	<u>336,069</u>
Total Revenues	<u>\$ 9,427,992</u>
Expenditures	<u><u>\$ 9,488,356</u></u>

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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 18 shows the taxable values of taxable property in the District for assessment year 2020 collectible in 2021. Table 19 shows the trend in property valuations over the last five years.

Table 18
Property Values in the District

	<u>Market Value</u>	<u>Assessed Value</u>	<u>Equalization Factor</u>	<u>Taxable Value</u>
<u>Real Property</u>				
Residential	\$ 264,003,800	\$ 132,001,900	9%	\$ 11,880,171
Agricultural	7,521,920	3,760,960	10%	376,096
Commercial	221,214,300	110,607,150	10%	11,060,715
<u>Utilities</u>				
Pipelines	10,689,920	5,344,960	10%	534,496
Other Utilities	<u>2,951,740</u>	<u>1,475,870</u>	10%	<u>147,587</u>
Total	<u>\$ 506,381,680</u>	<u>\$ 253,190,840</u>		<u>\$ 23,999,065</u>

Table 19
Trend in Valuations in the District

<u>Assessment Year</u>	<u>Market Value</u>	<u>Assessed Value</u>	<u>Taxable Value</u>
2019	\$ 502,148,458	\$ 238,193,590	\$ 23,819,359
2018	497,443,600	248,721,650	23,586,676
2017	495,077,359	247,538,680	23,253,868
2016	497,896,472	248,948,237	23,373,176
2015	471,622,462	235,811,231	22,342,468

Source: Ward County.

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 20 shows the District's tax levies and collections for levy years 2016 through 2020.

Table 20
Tax Collections

Levy Year	Amount of Levy	Net Levy (95% of Levy)	Net Levy Collected During the Year		Net Levy Collected as of 12/31/2020	
			Amount	% of Net Levy	Amount	% of Net Levy
2020	\$ 3,260,757	\$ 3,097,718	In process of collection			
2019	3,295,173	3,130,413	\$ 3,247,901	103.75%	\$ 3,251,080	103.85%
2018	3,295,060	3,130,307	3,221,926	102.93%	3,268,026	104.40%
2017	3,470,036	3,296,533	3,363,396	102.03%	3,469,995	105.26%
2016	2,910,186	2,764,676	2,769,222	100.16%	2,904,572	105.06%

Source: Ward County.

Mill Levy Summary

The table below shows the total mills levied by the District for the last five years.

Table 21
Mill Levy Summary

	<u>2020/21</u>	<u>2019/20</u>	<u>2018/19</u>	<u>2017/18</u>	<u>2016/17</u>
Mill Levies					
General Fund	59.79	54.58	50.88	52.90	48.35
Tuition	1.04	2.31	2.33	6.45	7.70
Building Fund	9.17	9.24	9.33	9.46	9.41
Miscellaneous	0.00	4.20	8.48	10.75	10.70
Sinking & Interest	<u>67.51</u>	<u>68.01</u>	<u>68.68</u>	<u>69.67</u>	<u>48.35</u>
Total	<u>137.51</u>	<u>138.34</u>	<u>139.70</u>	<u>149.23</u>	<u>124.51</u>

Source: North Dakota Department of Public Instruction

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Principal Taxpayers

A list of the principal taxpayers in the District with the highest taxable valuations for the 2020 assessment, for taxes payable in 2021, is presented in Table 22 below.

Table 22
Principal Taxpayers

<u>Taxpayer</u>	<u>Taxable Value</u>	<u>% of Total Taxable Valuation</u>
United Pulse Trading	\$ 774,950	3.23%
Cenex Harvest States	735,050	3.06%
Philadelphia Macaroni Company	570,550	2.38%
Schatz Properties LLC	444,300	1.85%
55 th Holdings LLC	441,200	1.84%
Burlington Northern & Santa Fe	431,855	1.80%
Westlie Motor Company	405,150	1.69%
MDV2 LLC	381,150	1.59%
Meld Capital LLC	265,100	1.10%
Premier Holdings LLP	<u>255,420</u>	<u>1.06%</u>
Total	<u>\$ 4,704,725</u>	<u>19.60%</u>

Source: Ward County Auditor.

RATING

Moody's Investors Service ("Moody's") has assigned an underlying rating of "A2" to the Bonds, as well as an enhanced rating of "Aa2" based upon the District's participation in the North Dakota School District Credit Enhancement Program. A rating is subject to withdrawal at any time; withdrawal of a rating may have an adverse effect on the marketability of the Bonds. For an explanation of the significance of the rating, an investor should communicate with the rating agency.

MUNICIPAL ADVISOR

The District has retained Public Financial Management, Inc., of Minneapolis, Minnesota, as Municipal Advisor (the "Municipal Advisor") in connection with the issuance of the Bonds. 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 Bonds.

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).

STATE AND FEDERAL TAX CONSIDERATIONS

In the opinion of Bond Counsel, the interest to be paid on the Bonds is includable in gross income of the recipient for United States or State of North Dakota income tax purposes.

LEGAL MATTERS

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

LITIGATION

There is no litigation now pending or, to the knowledge of the District officials, threatened which questions the validity of the Bonds 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 has been duly authorized by the District.

NEDROSE PUBLIC SCHOOL DISTRICT NO. 4

By: /s/ Matthew Norby
Superintendent

APPENDIX A

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

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AUDIT REPORT

NEDROSE PUBLIC SCHOOL DISTRICT NO. 4
MINOT, NORTH DAKOTA

EXAMINATION FOR THE YEAR ENDED
JUNE 30, 2019

NEDROSE PUBLIC SCHOOL DISTRICT NO. 4
MINOT, NORTH DAKOTA

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LERVIK
&
JOHNSON

Certified Public Accountants

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

School Board
Nedrose Public School District No. 4
Minot, 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 and each major fund of Nedrose Public School District No. 4, Minot, North Dakota, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Nedrose Public School District No. 4, Minot, North Dakota's basic financial statements and have issued our report thereon dated November 15, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Nedrose Public School District No. 4, Minot, North Dakota'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 Nedrose Public School District No. 4, Minot, North Dakota's internal control. Accordingly, we do not express an opinion on the effectiveness of Nedrose Public School District No. 4, Minot, North Dakota's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses, item 19-1, to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nedrose Public School District No. 4, Minot, North Dakota'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*.

Nedrose Public School District No. 4's Response to Findings

Nedrose Public School District No. 4, Minot, North Dakota's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Nedrose Public School District No. 4, Minot, North Dakota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion on it.

Purpose of this Report

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



LERVIK & JOHNSON
Certified Public Accountants
Bottineau, North Dakota

November 15, 2019

NEDROSE PUBLIC SCHOOL DISTRICT NO. 4
Minot, North Dakota

SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2019

Our audit of Nedrose Public School District No. 4, Minot, North Dakota found the following material weakness:

19-1 Segregation of Duties

Condition:

The Nedrose Public School District No. 4, Minot, North Dakota, has one person responsible for most accounting functions.

Criteria:

There should be sufficient accounting personnel so duties of employees are segregated. The segregation of duties would provide better control over the assets of the school.

Effect:

There is no segregation of duties as one 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 financial statements. This increases the risk of misstatement of the school's financial condition.

Recommendation:

To mitigate the risk associated with this lack of segregation of duties, we recommend the following:

- Financial statements, credit memos, and payroll registers should be reviewed, analyzed, and spot-checked by a responsible official.
- Where possible, segregate the functions of approval, posting, custody of assets, and reconciliation as they relate to any amounts which impact the financial statements.

Client Response:

Agree. Nedrose Public School District No. 4 does not have adequate resources to obtain proper internal controls to properly segregate duties. We will segregate duties to the extent possible.



INDEPENDENT AUDITOR'S REPORT

School Board
Nedrose Public School District No. 4
Minot, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Nedrose Public School District No. 4, Minot, North Dakota, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Nedrose Public School District No. 4, Minot, North Dakota, as of June 30, 2019, and the respective changes in financial position in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Nedrose Public School District's basic financial statements. The supplementary information is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and related 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule and pension information on pages 7-11 and 32-35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financials 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2019, on our consideration of Nedrose Public School District No. 4'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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Nedrose Public School District No. 4's internal control over financial reporting and compliance.



LERVIK & JOHNSON
Certified Public Accountants
Bottineau, North Dakota

November 15, 2019

NEDROSE PUBLIC SCHOOL DISTRICT NO. 4
MINOT, NORTH DAKOTA

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) of Nedrose Public School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2019. The intent of the MD&A is to look at the District's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements, which can be found on pages 12-18 of this report.

Financial Highlights

Key financial highlights for the fiscal year 2018-2019 are as follows:

- Net position of the Nedrose Public School increased (decreased) \$780,750 as a result of the current years operations. This compares to an increase (decrease) of \$575,416 for the prior year.
- Governmental net position as of the end of the fiscal year totaled \$3,583,459. Of this amount, \$(1,275,580) was unrestricted. For the prior year, governmental net assets totaled \$2,802,709 and of this amount \$(1,348,747) was unrestricted.
- Total revenues from all sources were \$8,717,746 compared to \$8,715,118 for the prior year.
- Total expenditures from all sources were \$7,936,996 compared to \$8,139,702 for the prior year.
- At the end of the current fiscal year, the unreserved fund balance for the general fund was \$1,953,834 or 32% of total general fund expenditures. For the prior year, the unreserved fund balance was \$1,525,659, or 25% of total general fund expenditures.
- The District's general fund had \$6,627,502 in total revenues and \$6,149,327 in total expenditures. There was a total of \$(50,000) from other financing sources. Overall, the general fund balance increased (decreased) by \$428,175 for the year ended June 30, 2019. For the prior year, the District's general fund had \$6,142,417 in total revenues and \$6,108,102 in total expenditures. There was a total of \$(35,000) from other financing sources. Overall, the general fund balance increased (decreased) by \$(685) for the year ended June 30, 2018.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Nedrose Public School District's basic financial statements. The Nedrose Public School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Nedrose Public School District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Nedrose Public School 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 Nedrose Public School District is improving or deteriorating.

The *Statement of activities* presents information showing how the school's net position changed during the most recent fiscal year. 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 in future fiscal periods (e.g., uncollected taxes and earned but unused annual leave).

Both of the government-wide financial statements distinguish functions of the Nedrose Public School District that are principally supported by taxes and intergovernmental revenues (government activities).

The governmental activities of the Nedrose Public School District include regular instruction, special education, vocational education, technology services, library media services, district wide services, administration, school food services, buildings and grounds operations and maintenance, student transportation, co curricular activities, rental payments, capital outlay and debt services.

The government-wide financial statements can be found on pages 12-13 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Nedrose Public School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Nedrose Public School District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governments near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Nedrose Public School District maintains 4 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, food service fund, and building fund all of which are considered to be major funds.

The Nedrose Public School District adopts an annual appropriated budget for its general fund a budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14-17 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Nedrose Public School District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 18 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-31 of this report.

Government-wide Financial analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Nedrose Public School District, assets exceeded liabilities by \$3,583,459 at the close of the most recent fiscal year.

A large portion of the Nedrose Public Schools District's net position \$4,126,032 reflects its investment in capital assets (e.g., land, buildings, and improvements, buildings and infrastructure, machinery and equipment, and construction in progress); less any related debt used to acquire those assets that are still outstanding. The Nedrose Public School District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Nedrose Public School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Nedrose Public School District's net position \$733,007 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$(1,275,580) may be used to meet the school's ongoing obligations to citizens and creditors.

The school's net position increased (decreased) by \$780,750 during the current fiscal year.

Nedrose Public School District Net Position			
Governmental Activities			
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Current and other assets	\$ 3,078,662	\$ 2,542,335	\$ 2,583,671
Capital assets	25,482,080	25,883,359	25,826,176
Deferred outflows	<u>2,009,316</u>	<u>2,122,664</u>	<u>2,805,391</u>
Total assets & deferred outflows	30,570,058	30,548,358	31,215,238
Long-term liabilities outstanding	26,759,007	27,619,372	28,888,728
Other liabilities	61,966	68,948	73,008
Deferred inflows	<u>165,626</u>	<u>57,329</u>	<u>26,209</u>
Total liabilities & deferred inflows	26,986,599	27,745,649	28,987,945
Net Position:			
Net Investment in Capital Assets	4,126,032	3,515,621	2,472,971
Restricted	733,007	635,835	774,654
Unrestricted	<u>(1,275,580)</u>	<u>(1,348,747)</u>	<u>(1,020,332)</u>
Total net position	\$ 3,583,459	\$ 2,802,709	\$ 2,227,293

Governmental activities. Governmental activities increased (decreased) the Nedrose Public School District's net position by \$780,750.

**Nedrose Public School District's Changes in Net Assets
As of June 30, 2019, 2018, and 2017**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Revenues			
Program Revenues:			
Charges for Services	\$ 164,892	\$ 141,352	\$ 126,632
Operating Grants and Contributions	438,016	439,562	334,582
Capital Grants and Contributions	-0-	-0-	-0-
General Revenues:			
Property Taxes	3,205,074	3,490,252	2,908,330
State Aid - Unrestricted	4,887,436	4,226,469	3,884,631
Other	<u>22,328</u>	<u>417,483</u>	<u>152,877</u>
Total Revenues	<u>8,717,746</u>	<u>8,715,118</u>	<u>7,407,052</u>
Expenses			
Instruction	4,218,510	4,131,484	3,743,771
Support Services	2,875,466	3,168,442	3,377,717
Co-curricular Activities	282,134	296,556	259,933
Depreciation - Unallocated	<u>560,886</u>	<u>543,220</u>	<u>502,215</u>
Total Expenses	<u>7,936,996</u>	<u>8,139,702</u>	<u>7,883,636</u>
Net Change in Position	780,750	575,416	(476,584)
Beginning Net Position	<u>2,802,709</u>	<u>2,227,293</u>	<u>2,703,877</u>
Ending Net Position	<u>\$ 3,583,459</u>	<u>\$ 2,802,709</u>	<u>\$ 2,227,293</u>

Financial Analysis of the Government's Funds

As noted earlier, the Nedrose Public School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Nedrose Public School District's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Nedrose Public School Districts financing requirements. In particular, *unreserved* fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Nedrose Public School District's governmental funds reported combined ending fund balances of \$2,686,841, an increase (decrease) of \$525,347 in comparison with the prior year.

The general fund is the chief operating fund of the Nedrose Public School District. At the end of the current fiscal year, unreserved fund of the general fund was \$1,953,834 while total fund balance totaled \$1,953,834. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 32% of the total general fund expenditures, while total fund balance represents 32% of that same amount.

The fund balance of the Nedrose Public School District's general fund increased (decreased) by \$428,175 during the current fiscal year. The Nedrose Public School District budgeted an anticipated increase (decrease) in fund balance of \$224,798.

General Fund Budgetary Highlights

During the year, revenues were greater than (less than) budgetary estimates by \$(155,351), expenditures were (greater than) less than budgetary estimates by \$363,728, other financing sources and uses were greater than (less than) budgetary estimates by \$(5,000), and ending fund balance exceeded (was less than) budgetary estimates by \$203,377.

During the prior year, revenues were greater than (less than) budgetary estimates by \$53,906, expenditures were (greater than) less than budgetary estimates by \$(306,641), other financing sources and uses were greater than (less than) budgetary estimates by \$15,000, and ending fund balance exceeded (was less than) budgetary estimates by \$(237,735).

Capital Assets

As of June 30, 2019, the Nedrose Public School District had \$25,482,080 invested in capital assets.

Nedrose Public School District's Capital Assets (net of depreciation) Government activities		
	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Land	\$ 1,076,441	\$ 1,076,441
Buildings and Improvements	23,777,435	24,291,796
Equipment	369,992	328,630
Vehicle	<u>258,212</u>	<u>186,492</u>
Total	\$ 25,482,080	\$ 25,883,359

Additional information on the Nedrose Public School District's capital assets can be found in note 4 on page 24 of this report.

Long-Term Debt. At the end of the current fiscal year, the Nedrose Public School District had bonds payable outstanding of \$21,356,048 and a net pension liability of \$5,402,959. Additional information on the Nedrose Public School District long-term debt can be found in note 5 on pages 24-25 of this report.

For The Future

The Nedrose Public School District has benefited from an adequate student population base. The School District has also benefited from continued funding from the State of North Dakota. These elements have enabled the District to meet many of its staffing and building maintenance needs.

Requests for Information

This financial report is designed to provide a general overview of the Nedrose Public School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Business Manager, Address, Nedrose Public School District, 5705 15th Ave. NE, Minot, ND 58701.

NEDROSE PUBLIC SCHOOL DISTRICT NO. 4
MINOT, NORTH DAKOTA

STATEMENT OF NET POSITION
JUNE 30, 2019

Primary Government
Governmental Activities
2019

ASSETS AND DEFERRED OUTFLOW OF RESOURCES:	
Cash and Cash Equivalents	\$ 2,615,331
Taxes Receivable	344,005
Due from Other Government	119,326
Capital Assets:	
Land, Improvements and Construction in Progress	25,482,080
Other Capital Assets, Net of Depreciation	2,009,316
Deferred Outflow of Resources-TFRR	<u>2,009,316</u>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u>\$ 30,570,058</u>
LIABILITIES AND DEFERRED INFLOW OF RESOURCES:	
Employee Benefits Payable	\$ 61,966
Noncurrent Liabilities:	
Due in Less than One Year	1,038,735
Due in More than One Year	20,317,313
Net Pension Liability	5,402,959
Deferred Inflow of Resources-TFRR	165,626
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	<u>26,986,599</u>
NET POSITION:	
Net Investment in Capital Assets	4,126,032
Restricted for:	
Food Service	4,732
Building Fund	231,881
Debt Service	496,394
Unrestricted (Deficit)	<u>(1,275,580)</u>
TOTAL NET POSITION	<u>3,583,459</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	<u>\$ 30,570,058</u>

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

NEDROSE PUBLIC SCHOOL DISTRICT NO. 4
MINOT, NORTH DAKOTA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS GOVERNMENTAL ACTIVITIES 2019
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
Primary Government:					
Governmental Activities:					
Instruction	\$ (4,218,510)		\$ 296,232		\$ (3,922,278)
Support Services	(2,875,466)	\$ 164,892	141,784		(2,568,790)
Co-curricular Activities	(282,134)				(282,134)
Depreciation-unallocated	(560,886)				(560,886)
Total Primary Government	<u>(7,936,996)</u>	<u>164,892</u>	<u>438,016</u>	<u>-0-</u>	<u>(7,334,088)</u>
		General Revenues:			
		Property Taxes			3,205,074
		Mineral Resources			2,740
		Revenue from State Sources:			
		State Foundation Aid			4,887,436
		Other General Revenues			19,588
		Total General Revenues			<u>8,114,838</u>
		Change in Net Position			780,750
		Net Position - Beginning			<u>2,802,709</u>
		NET POSITION - ENDING			<u>\$ 3,583,459</u>

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

NEDROSE PUBLIC SCHOOL DISTRICT NO. 4
MINOT, NORTH DAKOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	GENERAL FUND	FOOD SERVICE FUND	BUILDING FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS 2019
<u>ASSETS:</u>					
Cash and Cash Equivalents	\$ 1,889,901	\$ 4,732	\$ 230,938	\$ 489,760	\$ 2,615,331
Due from Other Governments	119,326				119,326
Taxes Receivable	155,440		22,887	165,678	344,005
TOTAL ASSETS	<u>\$ 2,164,667</u>	<u>\$ 4,732</u>	<u>\$ 253,825</u>	<u>\$ 655,438</u>	<u>\$ 3,078,662</u>
 <u>LIABILITIES, DEFERRED INFLOW OF RESOURCES & FUND BALANCES</u>					
<u>Liabilities:</u>					
Employee Benefits Payable	\$ 61,966				\$ 61,966
<u>Deferred Inflow of Resources:</u>					
Uncollected Taxes	148,867		\$ 21,944	\$ 159,044	329,855
Total Liabilities and Deferred Inflow of Resources	<u>210,833</u>	<u>-0-</u>	<u>21,944</u>	<u>159,044</u>	<u>391,821</u>
<u>Fund Balances:</u>					
Fund Balances:					
Restricted for Food Service		4,732			4,732
Restricted for Building Fund			231,881		231,881
Restricted for Debt Service				496,394	496,394
Unassigned	1,953,834				1,953,834
Total Fund Balances	<u>1,953,834</u>	<u>4,732</u>	<u>231,881</u>	<u>496,394</u>	<u>2,686,841</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES & FUND BALANCES	<u>\$ 2,164,667</u>	<u>\$ 4,732</u>	<u>\$ 253,825</u>	<u>\$ 655,438</u>	<u>\$ 3,078,662</u>

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

NEDROSE PUBLIC SCHOOL DISTRICT NO. 4
MINOT, NORTH DAKOTA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2019

2019

Total Fund Balances - Governmental Funds

\$ 2,686,841

Amounts reported for governmental activities in the statement
of net position are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in
the funds.

25,482,080

Assets such as Deferred Outflows are not available
to pay for current period expenditures and therefore
are deferred in the funds.

2,009,316

Liabilities such as Deferred Inflows are not due and
payable in the current period and therefore are not
reported in the funds.

(165,626)

Net pension liability for the Teachers Fund for Retirement
are not due and payable in the current period and
therefore are not reported in the funds.

(5,402,959)

Long-term liabilities, including bonds payable and accrued
leave payable are not due and payable in the current
period and therefore are not reported in the funds.

(21,356,048)

Assets such as taxes receivable and special assessment
receivable are not available to pay for current period
expenditures and therefore are deferred in the funds.

329,855

Net Position - Governmental Funds

\$ 3,583,459
=====

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

NEDROSE PUBLIC SCHOOL DISTRICT NO. 4
MINOT, NORTH DAKOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	GENERAL FUND	FOOD SERVICE FUND	BUILDING FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS 2019
<u>REVENUES</u>					
Local Sources:					
Property Taxes	\$ 1,421,506		\$ 211,846	\$ 1,553,760	\$ 3,187,112
Charges for Services		\$ 164,892			164,892
Other Revenue	19,588				19,588
County Sources:					
Mineral Resources	2,740				2,740
State Sources:					
Grants-In-Aid: Unrestricted	4,887,436				4,887,436
Grants-In-Aid: Restricted	78,789	1,829			80,618
Federal Sources:					
Grants-In-Aid: Restricted Received Through DPI	217,443	139,955			357,398
TOTAL REVENUES	<u>6,627,502</u>	<u>306,676</u>	<u>211,846</u>	<u>1,553,760</u>	<u>8,699,784</u>
<u>EXPENDITURES</u>					
Current:					
Regular Programs	2,817,705				2,817,705
Federal Programs	206,681				206,681
Instructional Media	92,268				92,268
Other Instructional Support	369,764				369,764
School Board	173,817				173,817
Executive Administration	213,898				213,898
Other Support Services	234,754				234,754
Operation and Maintenance	534,477				534,477
Student Transportation	387,429				387,429
Extracurricular Activities	282,134				282,134
Early Childhood Education	32,514				32,514
Food Services		359,789			359,789
Tuition	198,334				198,334
Special Education	530,552				530,552
Debt Service:					
Principal				995,086	995,086
Interest				571,006	571,006
Capital Outlay:					
Facilities Acquisition	75,000		99,229		174,229
TOTAL EXPENDITURES	<u>6,149,327</u>	<u>359,789</u>	<u>99,229</u>	<u>1,566,092</u>	<u>8,174,437</u>
Excess of Revenues Over (Under) Expenditures	478,175	(53,113)	112,617	(12,332)	525,347
<u>OTHER FINANCING SOURCES</u>					
Transfers In		50,000			50,000
Transfers Out	(50,000)				(50,000)
Net Changes in Fund Balances	<u>428,175</u>	<u>(3,113)</u>	<u>112,617</u>	<u>(12,332)</u>	<u>525,347</u>
Fund Balance - July 1	1,525,659	7,845	119,264	508,726	2,161,494
FUND BALANCE - JUNE 30	<u>\$ 1,953,834</u>	<u>\$ 4,732</u>	<u>\$ 231,881</u>	<u>\$ 496,394</u>	<u>\$ 2,686,841</u>

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

NEDROSE PUBLIC SCHOOL DISTRICT NO. 4
NEDROSE, NORTH DAKOTA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>2019</u>
Net Change in Fund Balances - Total Governmental Funds	\$ 525,347
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(401,279)
Government funds report deferred outflows as expenditures however, in the statement of activities these costs do not require the use or provide a source of financial resources.	(113,348)
Government funds report deferred inflows as revenue however, in the statement of activities these inflows do not require the use or provide a source of financial resources.	(108,297)
Reduction or Increase of the Net Pension Liability does not require the use or provide a source of financial resources.	(151,325)
Governmental funds report debt retirement as expenditures however, in the statement of activities this cash outlay is not an expenditure but a reduction to a liability on the statement of net position.	1,011,690
Revenue from property taxes is deferred in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when levied in the government-wide financial statements.	17,962
Change in Net Position of Governmental Activities	\$ 780,750

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

NEDROSE PUBLIC SCHOOL DISTRICT NO. 4
MINOT, NORTH DAKOTA

STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2019

	AGENCY FUNDS <u>2019</u>
ASSETS:	
Cash	\$ 64,708

TOTAL ASSETS	<u>\$ 64,708</u>
LIABILITIES:	
Amounts Held For Student Groups	\$ 64,708

TOTAL LIABILITIES	<u>\$ 64,708</u>

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

NEDROSE PUBLIC SCHOOL DISTRICT NO. 4
MINOT, NORTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The School Board is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. Generally accepted accounting principles require that the financial statements of the reporting entity include those of the School District (the primary government) and its component units. A component unit would be included in the School District's reporting entity because of the significance of their operational or financial relationship with the School District. The criteria established by GSAB Statement No. 14 in determining financial accountability 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. The School District has the following component unit as defined in GASB Statement No. 14 which should be included in the reporting entity.

Nedrose Public School Building Authority - The building authority was created by the school board as a legally separate entity. Its purpose is to promote the educational system of the district by providing financing for use by the school in altering, repairing, maintaining, or constructing buildings and making any improvements connected to school buildings. The school board is the governing board of the building authority.

B. Basis of Presentation

Government-wide Financial Statements: The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all the School District's nonfiduciary activities with most interfund activities removed. *Governmental Activities* include programs supported primarily by taxes, State foundation aid, grants, and other intergovernmental revenues. The School District has no business type activities that rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to recipients of goods and services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported as general revenues.

Fund Financial Statements: The fund financial statements provide information for governmental funds and fiduciary funds. Separate statements are presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The School District considers all governmental funds as major funds.

The funds of the financial reporting entity are described below:

GOVERNMENTAL FUNDS:

General Fund - The general fund is the general operating fund of the school district. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds - Capital projects funds are used to account and report financial resources that are *restricted, committed, or assigned* to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

FIDUCIARY FUNDS:

Agency Funds - Agency funds are used to account for assets held by the school district as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Following is a list of the major funds:

<u>Fund</u>	<u>Brief Description</u>
General Fund	The General Fund is the general operating fund. It is used to account for all financial resources of the general government except those required to be accounted for in another fund.
Food Service Fund	A fund used to record financial transactions related to food service operations. This fund is financed by user charges and grants.
Building Fund	A fund established to meet expenditures involving acquisition of plant and equipment and related costs. This fund is financed by property taxes.

C. Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable. The school district considers property tax as available when they are collected. Property taxes collected within 60 days after year end are not material.

Revenues from local sources consist primarily of property taxes. Revenues received from the Department of Public Instruction are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

D. Cash and Investments

Cash and cash equivalents include amounts in demand deposits, money market accounts, and highly liquid investments with an original maturity of three months or less. 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 secured with pledges of securities equal to 110% of the uninsured balance.

State statutes authorize local governments to invest in: a) bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress, b) securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above, c) certificates of deposit fully insured by the federal deposit insurance corporation or the state, d) obligations of the state. Investments are stated at cost. The only investments held by the school district are certificates of deposit.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the school's deposits may not be recovered. State law requires local governments to deposit funds in financial institutions carrying federal deposit insurance and a pledge of governmental securities for deposits in excess of deposit insurance coverage. All school district funds were adequately insured or collateralized by government securities.

Credit risk is the risk that the counterparty of an investment will not fulfill its obligations. The district's policy for limiting the credit risk of investment is to only invest in certificates of deposit fully insured or collateralized by pledge of governmental securities.

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The district manages its exposure to declines in fair value by investing only in certificates of deposit that are quite stable in rate of return and relatively short term.

E. Capital Assets

Capital Assets include land, buildings, equipment, vehicles, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

The accounting treatment for capital assets depends on whether the assets are reported in the government-wide or fund financial statements.

Government-Wide Statements

All capital assets are valued at actual or estimated historical cost. Donated capital assets are valued at their estimated fair value on the date donated.

Interest costs incurred during the construction of Governmental Activities capital assets are not capitalized along with other capital asset costs.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with net capital assets reflected in the Statement of Net Position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows.

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ 5,000	Straight-Line	-----
Buildings & Improvements	5,000	Straight-Line	50 years
Equipment	5,000	Straight-Line	10 years
Vehicles	5,000	Straight-Line	10 years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

In the fund financial statements, capital assets used in the governmental fund operations are accounted for as capital expenditures of the governmental fund upon acquisition.

F. Long-Term Liabilities

All long-term liabilities to be repaid from governmental resources are reported as liabilities in the government-wide statements. Long-term liabilities for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest as expenditures.

G. Compensated Absences

In accordance with the provisions of GASB Statement No. 16, a liability is not recorded for nonvesting accumulating rights to receive sick pay benefits.

H. Fund Equity

Nonspendable fund balances will include amounts that cannot be spent because they are either in nonspendable form or they are legally required to be maintained intact.

Restricted fund balances will exist when constraints are placed on those resources that are either externally imposed or imposed by law.

Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by the school board.

Assigned fund balances will be amounts that are constrained by the school district's intent to be used for specific purposes, but are neither restricted, nor committed.

Unassigned fund balances will represent those funds that have not been assigned, committed, restricted, or considered nonspendable. The general fund will be the only fund that will report an unassigned fund balance except for a deficit fund balance in other funds.

I. Order of Fund Balance Spending Policy

The school district's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries. First nonspendable amounts are determined. Then restricted balances for specific purposes are determined. Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balances if the fund is in a deficit situation.

NOTE 2: DEPOSITS

At June 30, 2019 the School District had deposits of \$2,680,037.90. District deposits at balance sheet date were covered by federal depository insurance or pledge of governmental securities. Securities pledged were held by the entity or its agent in the entity's name (Category II assets). North Dakota statutes require the market value of collateral pledged must equal 110% of the deposits not covered by FDIC insurance. District deposits were adequately protected.

NOTE 3: TAXES RECEIVABLE

Taxes receivable consist of current taxes and delinquent uncollected taxes for the past three years as of June 30. No allowance has been established for uncollectible taxes receivable.

Property taxes attach as an enforceable lien on property on January 1. The tax levy may be paid in two installments; the first installment includes one-half of the real estate taxes and all the special assessments; 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.

Property taxes are limited by state laws. All school tax levies are in compliance with state laws.

NOTE 4: CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2019, is as follows:

Capital Assets:	<u>7-01-18</u>	<u>Additions</u>	<u>Retirements</u>	<u>06-30-19</u>
Land	\$ 1,076,441			\$ 1,076,441
Buildings & Improvements	26,477,001			26,477,001
Equipment	450,016	\$ 87,887		537,903
Vehicles	633,551	115,679		749,230
	<u>28,637,009</u>	<u>203,566</u>	<u>-0-</u>	<u>28,840,575</u>
Less Accumulated Depreciation for:				
Buildings & Improvements	2,185,205	514,361		2,699,566
Equipment	121,386	46,525		167,911
Vehicles	447,059	43,959		491,018
	<u>2,753,650</u>	<u>604,845</u>	<u>-0-</u>	<u>3,358,495</u>
Government Activity				
Net Capital Assets	<u>\$25,883,359</u>	<u>\$ (401,279)</u>	<u>\$ -0-</u>	<u>\$25,482,080</u>

Depreciation was charged to functions as follows:

Governmental Activities:	<u>2019</u>	<u>2018</u>
Support Services	\$ 43,959	\$ 41,801
Depreciation - Unallocated	<u>560,886</u>	<u>543,220</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 604,845</u>	<u>\$ 585,021</u>

NOTE 5: GENERAL LONG-TERM DEBT

The following is a summary of debt transactions of the school district for the year ended June 30, 2019:

	<u>BONDS</u> <u>PAYABLE</u>
Debt Payable July 1	\$22,367,738
Debt Issued	-0-
Debt Retired	<u>1,011,690</u>
Debt Payable June 30	<u>\$21,356,048</u>
Due within one year	<u>\$ 1,038,735</u>

Debt payable at June 30, 2019 is comprised of the following individual issues:

BONDS PAYABLE

\$10,000,000 General Obligation School Building Bonds, Series 2015 for construction of a school building. The bonds call for semi-annual payments of \$394,585.24 from April 1, 2016 through October 1, 2035 effective interest at 2%.

\$8,796,048

BONDS PAYABLE

\$8,000,000 General Obligation School Building Bonds, Series 2014 for construction of a school building. The bonds call for annual principal payments of \$345,000 to \$520,000 from August 1, 2015 through August 1, 2033 and interest at 2% to 3.625%.

\$6,530,000

\$3,945,000 Nedrose Building Authority Lease Revenue Bonds, Series 2015 for construction of a school building. The bonds call for annual principal payments of \$130,000 to \$265,000 from May 1, 2016 through May 1, 2035 and interest at 3% to 4%.

\$3,350,000

\$3,070,000 General Obligation School Building Bonds, Series 2015A for construction of a school building. The bonds call for annual principal payments of \$115,000 to \$200,000 from August 1, 2016 through August 1, 2034 and interest at 2% to 3.5%.

\$2,680,000

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	1,038,735	795,360	1,834,095
2021	1,071,643	762,052	1,833,695
2022	1,105,458	727,488	1,832,946
2023	1,135,224	691,671	1,826,895
2024	1,170,992	654,060	1,825,052
2025	1,207,811	614,591	1,822,402
2026	1,245,734	573,080	1,818,814
2027	1,294,819	529,521	1,824,340
2028	1,335,122	483,199	1,818,321
2029	1,381,706	432,551	1,814,257
2030	1,439,636	379,753	1,819,389
2031	1,493,980	323,278	1,817,258
2032	1,554,810	263,711	1,818,521
2033	1,612,200	200,158	1,812,358
2034	1,676,231	133,002	1,809,233
2035	1,206,983	61,287	1,268,270
2036	384,964	9,621	394,585
TOTAL	<u>\$ 21,356,048</u>	<u>\$ 7,634,383</u>	<u>\$ 28,990,431</u>

The school district is in compliance with all bond covenants.

NOTE 6: DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the balance sheet represent amounts reported for uncollected taxes receivable in the fund financial statements 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, uncollected taxes receivable are measurable but not available.

NOTE 7: EMPLOYEE RETIREMENT SYSTEMS

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

General Information about North Dakota Teachers' Fund for Retirement

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

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

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

Pension Benefits

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

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

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

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

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

Member and employer contributions paid to TFFR are set by NDCC Section 15-39.1-09. Every eligible teacher in the State of North Dakota is required to be a member of TFFR and is assessed at a rate of 11.75% of salary as defined by NDCC Section 15-39.1-04. Every governmental body employing a teacher must also pay into TFFR a sum equal to 12.75% of the teacher's salary. Member and employer contributions will be reduced to 7.75% 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 ½. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

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

At June 30, 2019, the Employer reported a liability of \$5,402,959 (from Exhibit E Column 2 in TFFR GASB Report) for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2018 the Employer's proportion was .405366%, (from Exhibit E, Column 1 in TFFR GASB Report) which was an increase or (decrease) of .023019 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019 the Employer recognized pension expense of \$779,454 (from Exhibit E, Column 13 of TFFR GASB Report). At June 30, 2019 the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (from Exhibit E, Columns 14-22 of TFFR GASB Report with the exception of employer contributions subsequent to the measurement date):

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$ 14,664	\$ 146,946
Changes of assumptions	297,640	-0-
Net difference between projected and actual earnings on pension plan investments	-0-	18,680
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,305,317	-0-
Employer contributions subsequent to the measurement date (see below)	391,695	-0-
Total	<u>\$ 2,009,316</u>	<u>\$ 165,626</u>

\$391,695 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020 (employer's subsequent fiscal year-end).

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (from Exhibit E, Columns 23-28 of TFFR GASB Report - years will need to be rolled forward one year from the dates in the report):

Year ended June 30:	
2020	\$ 478,706
2021	403,178
2022	270,677
2023	246,866
2024	27,106
Thereafter	25,463

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%-14.5%, varying by service, including inflation and productivity
Investment rate of return	7.75%, net of investment expenses
Cost-of-living adjustments	None

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

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equities	58%	6.7%
Global Fixed Income	23%	1.5%
Global Real Assets	18%	5.1%
Cash Equivalents	1%	0.0%

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

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate. The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate: (from Exhibit E, Columns 4-6 TFFR GASB Report)

	1% Decrease(6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Employer's proportionate share of the net pension liability	\$7,295,558	\$5,402,959	\$3,828,905

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

NOTE 8: RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The following are funds established by the State for risk management issues:

The School District participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The School District pays an annual premium to the State Fire and Tornado Fund to cover property damage to building and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12 month period. The State Bonding Fund does not currently charge any premium for this coverage.

The School District participates in the North Dakota Worker's Compensation Bureau, an Enterprise Fund of the State of North Dakota. The Bureau is a state insurance fund and a "no fault" insurance system covering the State's employers and employees financed for the payment of claims to employees injured in the course of employment.

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

During the mid-1980's, the School District was not able to obtain general liability insurance at a cost it considered to be economically justifiable. In 1986, the state and other political subdivisions joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. All members paid an additional charge the first year they joined to help capitalize the NDIRF. In 1991, 1992, 1993, 1994, and 1995, the NDIRF returned 20% each year, for a total of 100%, of the capitalized amount with a premium reduction or cash payment to the School District. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence.

NOTE 9: INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2019 were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General		\$ 50,000
Food Service Fund	\$ 50,000	
	<u> </u>	<u> </u>
Total	\$ 50,000	\$ 50,000
	<u> </u>	<u> </u>

Interfund transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization; to segregate and to return money to the fund from which it was originally provided once a project is complete.

NEDROSE PUBLIC SCHOOL DISTRICT NO. 4
MINOT, NORTH DAKOTA

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	ORIGINAL BUDGET	FINAL BUDGET	BUDGET BASIS ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>				
Local Sources	\$ 1,543,500	\$ 1,543,500	\$ 1,441,094	\$ (102,406)
County Sources	2,100	2,100	2,740	640
State Sources	5,030,000	5,030,000	4,966,225	(63,775)
Federal Sources	209,893	207,253	217,443	10,190
TOTAL REVENUES	<u>6,785,493</u>	<u>6,782,853</u>	<u>6,627,502</u>	<u>(155,351)</u>
<u>EXPENDITURES</u>				
Current:				
Regular Programs	2,941,465	2,941,465	2,817,705	123,760
Federal Programs	200,093	197,453	206,681	(9,228)
Instructional Media	93,381	93,381	92,268	1,113
Other Instructional Support	383,243	383,243	369,764	13,479
School Board	187,880	187,880	173,817	14,063
Executive Administration	217,810	217,810	213,898	3,912
Other Support Services	249,172	249,172	234,754	14,418
Operation and Maintenance of Plant	541,525	541,525	534,477	7,048
Student Transportation	381,700	381,700	387,429	(5,729)
Extracurricular Activities	345,350	345,350	282,134	63,216
Early Childhood Education	33,440	33,440	32,514	926
Tuition	300,000	300,000	198,334	101,666
Special Education	565,636	565,636	530,552	35,084
Capital Outlay	75,000	75,000	75,000	-0-
TOTAL EXPENDITURES	<u>6,515,695</u>	<u>6,513,055</u>	<u>6,149,327</u>	<u>363,728</u>
Excess of Revenues Over (Under) Expenditures	269,798	269,798	478,175	208,377
<u>OTHER FINANCING SOURCES USES</u>				
Transfers Out	(45,000)	(45,000)	(50,000)	(5,000)
Fund Balance - July 1	1,525,659	1,525,659	1,525,659	-0-
FUND BALANCE - JUNE 30	<u>\$ 1,750,457</u>	<u>\$ 1,750,457</u>	<u>\$ 1,953,834</u>	<u>\$ 203,377</u>

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

Nedrose Public School District No. 4
Minot, North Dakota

Schedule of Employer's Share of Net Pension Liability
ND Teachers' Fund for Retirement
Last 10 Fiscal Years*
June 30, 2019
(from Exhibit E and Exhibit 2 of TFFR GASB Report)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
1. Employer's proportion of the net pension liability (asset). Exhibit E, Column 1	.405366%	.382347%	.377836%	.228642%	.224405%
2. Employer's proportionate share of the net pension liability (asset). Exhibit E, Column 2	\$5,402,959	\$5,251,634	\$5,535,523	\$2,990,306	\$2,351,367
3. Employer's covered-employee payroll. Exhibit E, Column 3	\$2,755,718	\$2,580,732	\$2,454,896	\$1,406,389	\$1,301,671
4. Employer's proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll. Calculate, 2 divided by 3	196.06%	203.49%	225.49%	212.62%	180.64%
5. Plan fiduciary net position as a percentage of the total pension liability. Exhibit 2	65.5%	63.2%	59.2%	62.1%	66.6%

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

The amounts presented for each fiscal year have a measurement date of the previous fiscal year end.

Nedrose Public School District No. 4
Minot, North Dakota

Schedule of Employer Contributions
ND Teacher's Fund for Retirement
Last 10 Fiscal Years*
June 30, 2019
(from Exhibit E of TFFR GASB Report)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
1. Statutorily required contribution Exhibit E, Column 7	\$391,695	\$351,354	\$329,043	\$312,999	\$179,306	\$139,928
2. Contributions in relation to the statutorily required contribution Exhibit E, Column 8	\$(391,695)	\$(351,354)	\$(329,043)	\$(312,999)	\$(179,306)	\$(139,928)
3. Contribution deficiency (excess) Exhibit E, Column 9	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
4. Employer's covered-employee payroll Exhibit E, Column 3	\$3,072,119	\$2,755,718	\$2,580,732	\$2,454,896	\$1,406,389	\$1,301,671
5. Contributions as a percentage of covered-employee payroll Exhibit E, Column 10	12.75%	12.75%	12.75%	12.75%	12.75%	10.75%

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

NEDROSE PUBLIC SCHOOL DISTRICT NO. 4
MINOT, NORTH DAKOTA

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

The Board of Education adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States for the general fund, special revenue funds, debt service funds, and capital project funds.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- The annual budget must be prepared and school district taxes must be levied on or before the fifteenth day of August of each year.
- The taxes levied must be certified to the county auditor by August twenty-fifth. The governing body of the school district may amend its tax levy and budget on or before the tenth day of October of each year but the certification must be filed with the county auditor within the time limitations as outlined in NDCC section 57-15-31.1.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the business manager at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- All appropriations lapse at year-end.

NOTE 2: CHANGES OF ASSUMPTIONS

The ND Teachers' Fund for Retirement amounts reported in 2016 and later reflect actuarial assumption changes based on the results of an actuarial experience study dated April 30, 2015. This includes changes to the investment return, inflation, salary scale, administrative expenses, turnover and retirement rates, and mortality tables.

NEDROSE PUBLIC SCHOOL DISTRICT NO. 4
MINOT, NORTH DAKOTA

SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS
FOR THE YEAR ENDED JUNE 30, 2019

	BALANCE <u>7-01-18</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	BALANCE <u>6-30-19</u>
<u>GENERAL FUND TYPE</u>				
General Fund	\$ 1,543,761.45	\$ 6,552,448.85	\$ 6,206,309.61	\$ 1,889,900.69
<u>SPECIAL REVENUE FUND TYPE</u>				
Food Service Fund	7,844.58	356,675.56	359,788.63	4,731.51
<u>CAPITAL PROJECTS FUND TYPE</u>				
Building Fund	115,621.26	214,545.87	99,228.65	230,938.48
<u>DEBT SERVICE FUND TYPE</u>				
Debt Service Fund	489,103.37	1,566,749.08	1,566,092.85	489,759.60
<u>AGENCY FUND TYPES</u>				
Student Activity Fund	44,217.17	145,847.02	125,356.27	64,707.62
	-----	-----	-----	-----
TOTAL ALL FUNDS	\$ 2,200,547.83	\$ 8,836,266.38	\$ 8,356,776.01	\$ 2,680,037.90
	=====	=====	=====	=====

NEDROSE PUBLIC SCHOOL DISTRICT NO. 4
MINOT, NORTH DAKOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

FEDERAL GRANTOR\ PASS-THROUGH GRANTOR\PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH GRANTOR'S NUMBER	EXPENDITURES 2019
<u>U. S. Department of Education</u>			
Direct:			
Rural Education Achievement Program	84.358	NONE	\$ 11,369.00
Passed Through State Department of Public Instruction:			
Title I	84.010	F84010	156,828.82
Title II A	84.367	F84367	22,646.00
Title IV	84.424	F84424	17,891.00
Passed Through Velva Public School District: Vocational Education (Carl Perkins Grant)	84.048	NONE	8,708.00
Total U. S. Department of Education			<u>217,442.82</u>
 <u>U. S. Department of Agriculture</u>			
Passed Through State Department of Public Instruction:			
School Lunch Program	10.555	F10555	139,954.78
Commodities	10.565	F10565	22,568.97
Total U. S. Department of Agriculture			<u>162,523.75</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 379,966.57</u>

NEDROSE PUBLIC SCHOOL DISTRICT NO. 4
MINOT, NORTH DAKOTA

SCHOOL DISTRICT OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2019

Jim Vannett	Board President
Holly Breckhus	Board Vice-President
Todd Awalt	Board Member
Chris Sutton	Board Member
Robert Kraus	Board Member
Charles Miller	Superintendent
Mary Larson	Business Manager

APPENDIX B

Form of Legal Opinion

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February 17, 2021

Nedrose Public School District No. 4
5705 15th Ave SE
Minot, ND 58701

BNY Mellon Capital Markets, LLC
240 Greenwich St.
New York, NY 10286

\$5,145,000
NEDROSE PUBLIC SCHOOL DISTRICT NO. 4
GENERAL OBLIGATION SCHOOL BUILDING REFUNDING BONDS
TAXABLE SERIES 2021

We have acted as Bond Counsel to Nedrose Public School District No. 4, Ward County, North Dakota (the “Issuer”), in connection with the issuance of \$5,145,000 General Obligation School Building Refunding Bonds, Taxable Series 2021, dated the date hereof (the “Bonds”). The Bonds are issued pursuant to North Dakota Century Code (“N.D.C.C.”), Chapter 21-03 and the authorizing resolution adopted by the Issuer on January 20, 2021 (the “Resolution”). In such capacity, we have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied upon the representations of the Issuer contained in the Resolution, and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify such facts by independent investigation.

Based on our examination, we are of the opinion, as of the date hereof as follows:

1. The Bonds are valid and binding obligations of the Issuer.
2. Proceeds of the Bonds will be deposited in escrow with U.S. Bank National Association, St. Paul, Minnesota (the “Escrow Agent”), and will be used to pay and refund the Issuer’s outstanding General Obligation School Building Bonds, Series 2014 on August 1, 2022 (the “Redemption Date”).

3. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent the necessary funds are not provided from other sources. All taxable property within the corporate limits of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the Bonds.

It is to be understood that the rights of the holders of the Bonds, and the enforceability thereof, may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may be subject to the exercise of judicial discretion in appropriate cases.

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 Bonds (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).

Respectfully submitted,

ARNTSON STEWART WEGNER PC

APPENDIX C

Form of Continuing Disclosure Undertaking

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CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”) is made and entered into as of February 1, 2021, by Nedrose Public School District No. 4 of Ward County, North Dakota (the “District”), in connection with the issuance of the District’s \$5,145,000 General Obligation School Building Refunding Bonds, Taxable Series 2021 (the “Bonds”). The Bonds are being issued pursuant to a Resolution adopted January 20, 2021 (the “Resolution”), and the Bonds will be delivered to the Purchaser on the date hereof. Pursuant to Section 6.03 of the Resolution, the District covenants and agrees as follows:

SECTION 1. PURPOSE OF THIS DISCLOSURE CERTIFICATE. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters within the meaning of SEC Rule 15c2-12(b)(5) (the “Rule”) in complying with the Rule. This Disclosure Certificate constitutes the written undertaking required by the Rule.

SECTION 2. DEFINITIONS. In addition to the definitions set forth in the Resolution, which apply to any capitalized term use in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” means any Annual Report provided by the District pursuant to and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Disclosure Representative” means the Business Manager of the District or his or her designee, or such other person as the District shall designate in writing to the Dissemination Agent, if any, from time to time.

“Dissemination Agent” means any Dissemination Agent appointed hereunder, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“Final Official Statement” means the deemed final official statement dated January __, 2021, which constitutes the final official statement delivered in connection with the Bonds, which is available from the MSRB.

“Financial Obligation” means: (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of a debt obligation or derivative instrument. Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Financial Statements” means audited or, if unavailable, unaudited general purpose financial statements of the District prepared in accordance with generally accepted accounting principles, as in effect from time to time or as required to be modified as a matter of law. If unaudited financial statements are provided, audited financial statements will be provided when and if available.

“Fiscal Year” means the fiscal year of the District.

“MSRB” means the Municipal Securities Rulemaking Board located at 1300 I Street NW, Suite 1000, Washington, DC 20005.

“Owner” means the person in whose name the Bond is registered or a beneficial owner of such Bond.

“Participating Underwriter” means any of the original underwriters of the Bonds (including the Purchaser) required to comply with the Rule in connection with the offering of the Bonds.

“Repository” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (EMMA®) system or any other nationally recognized municipal securities information repository recognized from time to time by the SEC for purposes of the Rule.

“Rule” means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including written interpretations thereof by the SEC.

“SEC” means the Securities and Exchange Commission.

“Specified Event” means any of the events listed in Section 5(a) of this Disclosure Certificate.

SECTION 3. PROVISION OF ANNUAL REPORTS.

(a) The District shall, or shall cause any Dissemination Agent to, not later than 365 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2021, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report to the Dissemination Agent, if any. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that the audited Financial Statements of the District may be submitted separately from the balance of the Annual Report.

(b) If by fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the Dissemination Agent, if any, has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with subsection (a).

(c) If the Dissemination Agent, if any, is unable to verify that an Annual Report has been provided to the Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to the Repository in substantially the form attached as Exhibit A.

(d) The Disclosure Representative or the Dissemination Agent, if any, shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of the Repository;

(ii) transmit the Annual Report to the Repository by (A) electronic facsimile transmissions, confirmed by first class mail, postage prepaid, or (B) first class mail, postage prepaid, or any overnight delivery service selected by the Disclosure Representative or the Dissemination Agent; and

(iii) file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided, and listing all the Repositories to which it was provided.

SECTION 4. CONTENT OF ANNUAL REPORTS. The District's Annual Report shall contain or incorporate by reference the following:

(a) audited Financial Statements; and

(b) updated information contained in the Final Official Statement as listed in Exhibit B to this Disclosure Certificate.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the District is an "obligated person" (as defined by the Rule), which have been filed with the Repository or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each such other document so incorporated by reference.

SECTION 5. REPORTING OF SPECIFIED EVENTS.

(a) The District shall also provide in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the following events or conditions of which any of its Board Members or employees has actual knowledge:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties (the Bond issue has no debt service reserve);
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform (the Bond issue has no credit or liquidity providers);
- (vi) Adverse tax opinions the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the bonds, or other material events affecting the tax status of the Bonds;
- (vii) Modifications to rights of Owners of the Bonds, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Bonds;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar events of the District;
- (xiii) The consummation of a merger, consolidation or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) Incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar

terms of a Financial Obligation of the District, any of which affect security holders, if material; and

(xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

(b) Unless otherwise required by law, the District shall provide notices of Specified Events required by this Section to the Repository.

(c) Unless otherwise required by law and subject to technical and economic feasibility, the District shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the District's information.

SECTION 6. TERMINATION OF REPORTING OBLIGATION. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. DISSEMINATION AGENT. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If at any time there is no other designated Dissemination Agent, the Business Manager of the District shall be the Dissemination Agent.

SECTION 8. AMENDMENT; WAIVER. Notwithstanding any other provision of this Disclosure Certificate, the District and the Dissemination Agent may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the District) and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule. This Disclosure Certificate, or any provision hereof, shall be null and void in the event that the District receives an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this Disclosure Certificate are invalid, have been repealed retroactively or otherwise do not apply to the Bonds. The provisions of this Disclosure Certificate may be amended without the consent of the Owners of the Bonds, but only upon the receipt by the District of an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect the compliance of this Disclosure Certificate by the District with the Rule.

SECTION 9. ADDITIONAL INFORMATION. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Specified Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include

any information in any Annual Report or notice of occurrence of a Specified Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Specified Event.

SECTION 10. DEFAULT. In the event of a failure of the District or the Dissemination Agent to comply with any provision of this Disclosure Certificate, the Dissemination Agent may (and, at the request of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall), or any Owner, including beneficial owners, may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. DUTIES, IMMUNITIES AND LIABILITIES OF DISSEMINATION AGENT. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. BENEFICIARIES. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters, and Owners, including beneficial owners, from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. COUNTERPARTS. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the District has caused this Disclosure Certificate to be executed by its duly authorized officers, all as of the date first above written.

**NEDROSE PUBLIC SCHOOL
DISTRICT NO. 4, WARD COUNTY,
NORTH DAKOTA**

President of the School Board

ATTEST:

Business Manager

EXHIBIT A

**NOTICE TO REPOSITORIES
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Nedrose Public School District No. 4

Name of Bond Issue: General Obligation School Building Refunding Bonds, Taxable Series 2021

Name of District: Nedrose Public School District No. 4

Date of Issuance: February 17, 2021

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named bonds as required by Section 6.03 of the Resolution adopted January 20, 2021. The District anticipates that the Annual Report will be filed by _____.

Dated: _____.

on behalf of the DISTRICT

cc: District

EXHIBIT B

Financial Summary	
Table	General Obligation Long-Term Debt by Issue
Table	General Obligation Long-Term Debt, Annual Maturity Schedule
Table	Lease Obligations by Issue
Table	Lease Obligations, Annual Maturity Schedule
Table	Debt Limit Computation