

**NEW ISSUE: BOOK-ENTRY ONLY**

**RATING\*: APPLIED FOR (MOODY'S)  
(North Dakota School District Credit Enhancement Program)**

**(Electronic and Sealed Bids Accepted)**

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

**OFFICIAL STATEMENT**

**\$2,395,000<sup>(1)</sup> GENERAL OBLIGATION BUILDING FUND BONDS, SERIES 2020A  
BEULAH PUBLIC SCHOOL DISTRICT NO. 27  
(Dunn, Mercer, and Oliver Counties, North Dakota)**

**Dated:** March 11, 2020

**Principal Due:** August 1, 2020 through 2039

**Minimum Bid:** \$2,371,050 (99.0% of Par)

**Good Faith Deposit:** \$24,000

The \$2,395,000<sup>(1)</sup> General Obligation Building Fund Bonds, Series 2020A (the "Bonds") issued by Beulah Public School District No. 27, North Dakota (the "District") will be issued pursuant to the provisions of Chapter 21-03 of the North Dakota Century Code, for the purpose of (i) providing a portion of the funds to construct an addition and make renovations to the high school, (ii) remodeling, improving, equipping, and furnishing school property (the "Project"), and (iii) paying the costs associated with the issuance of the Bonds. The Bonds are a valid and binding obligation of the Issuer, payable from the 2020A General Obligation Building Fund Bond Fund to which the District has irrevocably pledged that portion of the tax levies authorized by Section 57-15-16 of the North Dakota Century Code (School Building Fund Levy), which may be levied upon all taxable property located in the District at the rate of 20 mills. In the event of a deficiency, all taxable property in the territory of the District is subject to ad valorem taxation without limitation regarding rate or amount to pay the Bonds.

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, 2020, and interest, payable semiannually on each February 1 and August 1 commencing August 1, 2020, at the rates set forth below, will be paid to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein.

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

<u>Year</u>	<u>Principal<sup>(1)</sup></u>	<u>Interest Rate*</u>	<u>Yield*</u>	<u>Year</u>	<u>Principal<sup>(1)</sup></u>	<u>Interest Rate*</u>	<u>Yield*</u>
2020	\$ 130,000	_____ %	_____ %	2030	\$ 115,000	_____ %	_____ %
2021	90,000	_____ %	_____ %	2031	120,000	_____ %	_____ %
2022	95,000	_____ %	_____ %	2032	125,000	_____ %	_____ %
2023	95,000	_____ %	_____ %	2033	130,000	_____ %	_____ %
2024	100,000	_____ %	_____ %	2034	130,000	_____ %	_____ %
2025	100,000	_____ %	_____ %	2035	135,000	_____ %	_____ %
2026	105,000	_____ %	_____ %	2036	140,000	_____ %	_____ %
2027	110,000	_____ %	_____ %	2037	145,000	_____ %	_____ %
2028	110,000	_____ %	_____ %	2038	150,000	_____ %	_____ %
2029	115,000	_____ %	_____ %	2039	155,000	_____ %	_____ %

The Bonds maturing on August 1, 2028 and thereafter are subject to redemption on August 1, 2027 and any date thereafter at a price of par plus accrued interest to the redemption date.

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

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

**REGISTRAR/PAYING AGENT:** Starion Bond Services, Inc., Bismarck, North Dakota

**BIDS RECEIVED UNTIL:** 11:30 A.M. Central Time on Tuesday, February 18, 2020  
In the offices of PFM Financial Advisors LLC, Minneapolis, Minnesota 55402

**BIDS CONSIDERED:** On Tuesday, February 18, 2020

**DELIVERY:** On or about March 11, 2020.

The date of this Official Statement is February 6, 2020.

<sup>(1)</sup> Preliminary, subject to change.

\* Interest rates and reoffering yields or prices will be set forth in the Final Official Statement described herein.

*(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.)*





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 \$2,395,000<sup>(1)</sup> General Obligation Building Fund Bonds, Series 2020A (the "Bonds") issued by Beulah Public School District No. 27, 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.

<b>Issuer:</b>	Beulah Public School District No. 27, North Dakota.
<b>Purpose:</b>	The proceeds of the Bonds will be used to (i) provide a portion of the funds to construct an addition and make renovations to the high school, (ii) remodel, improve, equip, and furnish existing school property, and (iii) pay the costs associated with the issuance of the Bonds.
<b>Security:</b>	The Bonds are payable from the 2020A General Obligation Building Fund Bond Fund to which the District has irrevocably pledged that portion of the tax levies authorized by Section 57-15-16 of the North Dakota Century Code (School Building Fund Levy), which may be levied upon all taxable property located in the District at the rate of 20 mills. In the event of a deficiency, all taxable property in the territory of the District is subject to ad valorem taxation without limitation regarding rate or amount to pay the Bonds.
<b>Dated Date:</b>	March 11, 2020
<b>Principal Payment:</b>	Principal of the Bonds is payable annually on August 1, of the years 2020 through 2039.
<b>Interest Payment:</b>	Interest on the Bonds is payable on February 1 and August 1, commencing August 1, 2020.
<b>Redemption Provisions:</b>	The Bonds maturing on August 1, 2028 and thereafter are subject to redemption on August 1, 2027 and any date thereafter at a price of par plus accrued interest to the redemption date.
<b>Credit Enhancement:</b>	The District will participate in the North Dakota School District Credit Enhancement Program.
<b>Denominations:</b>	\$5,000 or integral multiples thereof of a single maturity.
<b>Book-Entry Only:</b>	The Bonds will be issued as book-entry only securities through the Depository Trust Company.
<b>Record Date:</b>	The 15th day of the month preceding the payment date.
<b>Form:</b>	The Bonds will be issued in book-entry form only. See "Book-Entry Only System" herein.
<b>Tax Status:</b>	Generally exempt from federal and state income taxes (see "Tax Exemption" herein). The Bonds are designated as "Qualified Tax-Exempt Obligations."
<b>Professional Consultants:</b>	<i>Municipal Advisor:</i> PFM Financial Advisors LLC Fargo, North Dakota Minneapolis, Minnesota  <i>Bond Counsel:</i> Arntson Stewart Wegner PC Bismarck, North Dakota  <i>Paying Agent:</i> Starion Bond Services, Inc. Bismarck, North Dakota
<b>Delivery:</b>	On or about March 11, 2020

<sup>(1)</sup> Preliminary, subject to change.

*The Official Statement is in a form deemed final as of its date for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1) (the "Rule"), but is subject to minor revision or amendment in accordance with the Rule. Not later than seven business days following the award of the Bonds, the District shall provide copies of the Final Official Statement, as that term is used in the Rule, to the purchaser of the Bonds. The Final Official Statement will be the Official Statement dated February 7, 2020, which will include the maturity dates and amounts, interest rates and reoffering yields or prices, credit ratings, and any other information required by law.*

*The purchaser will be supplied with Final Official Statements in a quantity sufficient to meet its request. Up to 25 copies of the Final Official Statement will be furnished without cost to the purchaser.*

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

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

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## **DESCRIPTION OF THE BONDS**

### ***Purpose***

The proceeds of the Bonds will be used to (i) provide a portion of the funds to construct an addition and make renovations to the high school, (ii) remodel, improve, equip, and furnish the existing school property, and (iii) pay the costs associated with the issuance 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 February 18, 2020, and are authorized by and in full conformity with the Constitution and laws of the State of North Dakota, Section 57-15-16 of the North Dakota Century Code.

On January 7, 2020, voters approved \$6,900,000 of general obligation bonds to be issued as a portion of the funds used to finance the Project. The District intends to issue \$6,900,000 of general obligation bonds through the North Dakota State School Construction Loan Program in the spring/summer of 2020, in addition to the Bonds.

### ***Security and Source of Payment***

The Bonds are payable from the 2020A General Obligation Building Fund Bond Fund to which the District has irrevocably pledged that portion of the tax levies authorized by Section 57-15-16 of the North Dakota Century Code (School Building Fund Levy), which may be levied upon all taxable property located in the District at the rate of 20 mills. In the event of a deficiency, all taxable property in the territory of the District is subject to ad valorem taxation without limitation regarding rate or amount to pay the Bonds.

### ***North Dakota School Credit Enhancement Program***

The District has elected to participate in the North Dakota School District Credit Enhancement Program (the "Program"). Under the Program, if a school district is unable to make a bond payment, upon receipt of a notice of potential default, the State of North Dakota (the "State") will make the payment three days prior to the bond payment date from funds due, or payable, or appropriated to the school district under Chapter 15.1-27 of the North Dakota Century Code. To participate in the Program, the District's school board must adopt a resolution (the "Resolution") wherein the school district elects to participate in the Program, obligates the school district to be bound by the provisions of Section 6-09.4-23 and authorizes the withholding of state funds as required by the Program. The Resolution must further provide that the election to participate in the Program is irrevocable so long as the evidence of indebtedness enhanced by the Program remains outstanding and unpaid. The Resolution also must require the school district to deposit a bond payment with the paying agent five days before the payment date to the bondholders; certify that the state funds available to the school district under NDCC Chapter 15.1-27 are at least 2 times the maximum annual debt service on the 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 outstanding issues in the credit enhancement program is \$160,400 in the fiscal year ending June 30, 2027. The total state aid due to the District for the 2019-20 school year is \$4,845,876. The state aid provides 30.21 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, 2028 and thereafter are subject to redemption on August 1, 2027 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, 2020. Interest will be computed on a 360-day year, 30-day month basis, and paid to the owners of record as of the close of business on the fifteenth day of the immediately preceding month. Payments coming due on a non-business day will be paid on the next business day.

## ***Sources and Uses of Funds***

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

**Table 1**  
**Estimated Sources and Uses of Funds**

### **Sources of Funds**

Par Amount	\$ 2,395,000
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### **Uses of Funds**

Deposit to Project Fund
Cost of Issuance/Underwriter's Discount
Total Uses of Funds

## ***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 bonds. 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](http://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 bonds 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.

### ***Limited 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 an annual report relating to the District (the “Annual Report”), not later than 365 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2019, and to provide notices of the occurrence of certain enumerated material events. The Annual Report and material event notices are to be filed with the MSRB through its Electronic Municipal Market Access system (EMMA ®) at [www.emma.msrb.org](http://www.emma.msrb.org). 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 undertaking will be in substantially the form attached hereto as Appendix C.

The District has not entered into any disclosure undertakings under the Rule. A failure by the District to comply with the undertaking will not constitute an event of default on the Bonds (although holders will have any available remedy at law or in equity). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Breach of the Disclosure Covenants will not constitute an “Event of Default” under the Resolution. A broker or dealer is to consider a known breach of the Disclosure Covenants, however, before recommending the purchase or sale of the 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.

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## THE DISTRICT

### *General Information*

The District is located in west-central North Dakota in Dunn, Mercer and Oliver Counties (the “Counties”) and includes the City of Beulah (the “City”) and the surrounding area. The City is located near the Missouri River and is approximately 75 miles northwest of Bismarck. The District has a population of approximately 4,605 and covers an area of 668.9 square miles.

Table 2 provides a description of the District’s facilities.

**Table 2**  
**District Facilities**

<u>Building</u>	<u>Year Built</u>	<u>Additions</u>	<u>Grades</u>	<u>Current Enrollment</u>
Beulah High School	1963	1976, 1978	9-12	194
Beulah Middle School	1997	N/A	5-8	218
Beulah Elementary School	1979	1982	K-4	308

### *Organization and Administration*

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

**Table 3**  
**School Board**

<u>Name</u>	<u>Position</u>	<u>Expiration Date</u>
Douglas Moore	Chairperson	June 2022
Jennifer Steffan	Vice Chairperson	June 2020
David Ripplinger	Director	June 2021
Blake Seibel	Director	June 2021
Daniel Ziman	Director	June 2020
Kory McGraw	Director	June 2022
Dwight Hatzenbeuhler	Director	June 2020

**Table 4**  
**District Administration**

<u>Name</u>	<u>Position</u>
Travis Jordan	Superintendent
Krista Richau	Business Manager

## ***Enrollment Trends***

The District provides a complete curriculum to students in grades Kindergarten through 12<sup>th</sup> grade. Enrollments in the District for the current and last five years are set forth in Table 5 below. The District's enrollment for the 2019/20 school year is 773.

**Table 5**  
**Historical Enrollment**

<u>School Year</u>	<u>Students</u>
2019/20	773
2018/19	768
2017/18	761
2016/17	754
2015/16	725
2014/15	721

Source: The District.

## ***Pension Plans***

### **North Dakota Teachers Fund For Retirement (TFFR)**

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

Plans members are required to contribute 11.75% of their annual covered salary and the District is required to contribute 12.75% of the teacher's salary. The contribution requirements of plan members and the District are established and may be amended by the State Legislature. The District's proportionate net pension liability for TFFR for the fiscal year ending June 30, 2018 was \$1,576,837.

### **North Dakota Public Employees Retirement System (NDPERS)**

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

Plan members are required to contribute 7% of their annual covered salary. The District is required to contribute 8.26% of the employees' salary which consists of 7.12% for employee retirement and 1.14% for the retiree health benefits fund. The contribution requirements of plan members and the District are established and may be amended by the State Legislature. The District's proportionate net pension liability for NDPERS for the year ending June 30, 2018, was \$6,986,183.

## ECONOMIC AND DEMOGRAPHIC INFORMATION

### *Population*

Table 6 shows the population of Dunn, Mercer, and Oliver Counties as recorded in the past four decennial censuses plus a recent estimate.

**Table 6**  
**Population Statistics**

<u>Census Year</u>	<u>Dunn County</u>	<u>Mercer County</u>	<u>Oliver County</u>
2018 Estimate	4,332	8,267	1,952
2010	3,536	8,424	1,846
2000	3,600	8,644	2,065
1990	4,005	9,808	2,381
1980	4,627	9,404	2,495

Source: U.S. Census Bureau, [www.census.gov](http://www.census.gov)

### *Labor Force and Unemployment Statistics*

Average annual labor force and unemployment rates for Dunn, Mercer, and Oliver Counties for the last five years and the most recent data available are presented in Table 7 below, along with the unemployment rates for the State of North Dakota and the United States.

**Table 7**  
**Labor Force and Unemployment Statistics**

<u>Year</u>	<u>Dunn County</u>		<u>Mercer County</u>		<u>Oliver County</u>	
	<u>Labor Force</u>	<u>Unemployment Rate</u>	<u>Labor Force</u>	<u>Unemployment Rate</u>	<u>Labor Force</u>	<u>Unemployment Rate</u>
2019 <sup>(1)</sup>	2,942	1.5%	3,481	4.3%	846	3.3%
2018	3,021	1.6%	3,969	4.2%	873	4.1%
2017	3,162	2.2%	4,441	4.1%	912	4.2%
2016	3,249	3.1%	4,654	4.4%	898	5.5%
2015	4,009	2.0%	4,298	4.2%	881	5.9%
2014	4,290	1.3%	4,142	3.9%	880	6.4%

  

<u>Year</u>	<u>North Dakota</u>	<u>United States</u>
	<u>Unemployment Rate</u>	<u>Unemployment Rate</u>
2019 <sup>(1)</sup>	2.1%	3.3%
2018	2.6%	3.9%
2017	2.7%	4.4%
2016	3.1%	4.9%
2015	2.8%	5.3%
2014	2.7%	6.2%

<sup>(1)</sup> Date as of November, 2019.

Source: Job Service of North Dakota

## ***Major Employers***

Table 8 presents a listing of the principal employers in or near the District.

**Table 8**  
**Principal Employers**

<u>Employer</u>	<u>County</u>	<u>Industry or Service</u>	<u>Employees</u>
Great Plains Synfuels Plant	Mercer	Alternative Fuels	700
Coteau Properties Co	Mercer	Mining	400
Basin Electric Power Co-Op	Mercer	Utilities	193
Knife River Corp	Mercer	Construction Materials	150
Sakakawea Medical Ctr	Mercer	Hospital	140
Leland Olds Power Plant	Mercer	Power Plant	130
Beulah High School	Mercer	Education	110
Coyote Creek Mining Co	Mercer	Mining	100
Hill Top Home Of Comfort	Dunn	Nursing & Convalescent Home	100
West River Telecom	Mercer	Telecommunications Services	80

Source: Reference USA.

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## FINANCIAL SUMMARY

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

2019/20 Market Value (100%)		\$	648,291,387
2019/20 Assessed Value (50%)		\$	324,145,693
2019/20 Taxable Value		\$	30,930,394
General Obligation Long-Term Debt (Includes the Bonds)		\$	9,295,000
Overlapping Debt		\$	4,532,084
District Population (U.S. Census Bureau 2018 Estimate)			4,605
Land Area			668.9 square miles
Debt Ratios:			
	<u>Amount</u>	Debt Per Capita <u>(4,605)</u>	% of <u>Market Value</u>
General Obligation Long-Term Debt	\$ 9,295,000	2,019	1.43%
Overlapping Debt	<u>4,532,084</u>	<u>984</u>	<u>0.70%</u>
Total Long-Term Debt	<u>\$ 13,827,084</u>	<u>\$ 3,003</u>	<u>2.13%</u>

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## DEBT STRUCTURE

### *General Obligation Long-Term Debt*

Table 9 below summarizes the total general obligation long-term debt of the District as of February 1, 2020 and Table 10 presents the annual maturity schedule for the general obligation bonds of the District.

**Table 9**  
**General Obligation Long-Term Debt by Issue**

<u>Date</u>	<u>Purpose</u>	<u>Original Issue Size</u>	<u>Interest Range</u>	<u>Maturity Dates Outstanding</u>	<u>Principal Amount Outstanding</u>
2020	Building Fund Bonds	\$ 2,395,000	TBD	08/01/2020-39	\$ 2,395,000
2020	State School Construction Loan	6,900,000	2.00%	N/A	<u>6,900,000<sup>(1)</sup></u>
					<u>\$ 9,295,000</u>

<sup>(1)</sup> Loan is expected to be issued Summer 2020.

**Table 10**  
**General Obligation Long-Term Debt Annual Maturity Schedule**

<u>Bond Year Ending (August 1)</u>	<u>Principal<sup>(1)</sup></u>	<u>Interest<sup>(1)</sup></u>	<u>Principal<sup>(2)</sup></u>	<u>Interest<sup>(2)</sup></u>	<u>Total</u>
2020	\$ 130,000	\$ 27,941	\$ 74,338	34,500	\$ 266,780
2021	90,000	67,950	298,839	136,513	593,302
2022	95,000	65,250	304,816	130,536	595,603
2023	95,000	62,400	310,912	124,440	592,752
2024	100,000	59,550	317,130	118,221	594,903
2025	100,000	56,550	323,473	111,879	591,902
2026	105,000	53,550	329,943	105,409	593,903
2027	110,000	50,400	336,541	98,810	595,752
2028	110,000	47,100	343,272	92,080	592,453
2029	115,000	43,800	350,138	85,214	594,152
2030	115,000	40,350	357,140	78,211	590,703
2031	120,000	36,900	364,283	71,069	592,252
2032	125,000	33,300	371,569	63,783	593,653
2033	130,000	29,550	379,000	56,351	594,902
2034	130,000	25,650	386,580	48,771	591,003
2035	135,000	21,750	394,312	41,040	592,102
2036	140,000	17,700	402,198	33,154	593,053
2037	145,000	13,500	410,242	25,110	593,852
2038	150,000	9,150	418,447	16,905	594,503
2039	<u>155,000</u>	<u>4,650</u>	<u>426,816</u>	<u>8,536</u>	595,002
Total	<u>\$ 2,395,000</u>	<u>\$ 766,991</u>	<u>\$ 6,900,000</u>	<u>\$ 1,480,541</u>	<u>\$ 11,542,532</u>

<sup>(1)</sup> Building Fund Bonds, subject to change.

<sup>(2)</sup> State School Construction Loan, subject to change.



***Future Financing***

On January 7, 2020, voters approved \$6,900,000 of general obligation bonds to be issued as a portion of the funds used to finance the Project. The District intends to issue \$6,900,000 of general obligation bonds through the North Dakota State School Construction Loan Program in the spring/summer of 2020.

***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. 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 11 presents the debt limit of the District.

**Table 11  
Debt Limit Computation**

Assessed Value (2019/20)	\$ 324,145,693
Limit Percentage	<u>5.00%</u>
Authorized Debt Limit (100.00%)	\$ 16,207,285
Debt Subject to Limit (57.35%)	<u>9,295,000<sup>(1)</sup></u>
Debt Margin (42.65%)	<u>\$ 6,912,285</u>

<sup>(1)</sup> The District plans to issue \$6,900,000 state school construction bonds in the spring/summer of 2020, and therefore it has been included.

***Overlapping Debt***

There are multiple taxing jurisdictions which overlap the District and had general obligation debt as of February 1, 2020. Table 12 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 12  
Overlapping Debt**

<u>Entity</u>	<u>General Obligation Debt</u>	<u>% of Debt Allocable to the District</u>	<u>Portion Allocable to the District</u>
Mercer County	\$ 3,115,000 <sup>(1)</sup>	54.16%	\$ 1,687,084
City of Beulah	<u>2,845,000</u>	100.00%	<u>2,845,000</u>
Total	<u>\$ 5,960,000</u>		<u>\$ 4,532,084</u>

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

Source: Mercer County

## FINANCIAL INFORMATION

### *Financial Reports*

The District's financial statements are audited by an independent auditor. The District prepares its financial statements on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Copies of the District's audited financial statements for the fiscal years ended June 30, 2016 through 2018 are available upon request from PFM Financial Advisors LLC, the District's Municipal Advisor.

### *Results of Operations*

Statements of revenues and expenditures of the General Fund of the District have been compiled from the District's audited financial statements. They have been presented in such a manner as to facilitate year-to-year comparison. Table 13 below presents a Statement of Revenues, Expenditures and Changes in Fund Balance for the District's General Fund for the fiscal years ended June 30, 2016 through 2018, plus the unaudited revenues, expenditures, and change in fund balance for the fiscal year ended June 30, 2019.

**Table 13**  
**Statement of Revenues, Expenditures and Changes in Fund Balance for the General Fund**  
**(Years Ended June 30)**

<b>Revenues</b>	<u>2019<sup>(1)</sup></u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Local Sources	\$ 1,851,839	\$ 3,131,081	\$ 1,601,941	\$ 1,490,343
County Sources	1,116,181	--	1,067,811	1,061,357
State Sources	4,649,362	4,932,364	5,054,090	4,606,255
Federal Sources	189,825	147,961	193,674	234,686
Other Sources	--	38,932	43,436	28,871
Unrealized Gain/(Loss) on Investments	<u>--</u>	<u>--</u>	<u>(25,724)</u>	<u>8,388</u>
<b>Total Revenues</b>	<b><u>\$ 7,807,208</u></b>	<b><u>\$ 8,250,338</u></b>	<b><u>\$ 7,935,228</u></b>	<b><u>\$ 7,429,900</u></b>
<b>Expenditures</b>				
<b>Current</b>				
Regular Instruction	\$ --	\$4,064,685	\$3,955,101	\$3,998,748
Federal Programs	--	216,383	--	--
Special Education	--	245,539	106,116	95,452
Vocational Education	--	381,358	362,421	393,272
District Wide Services	--	506,715	--	--
General Administration	--	800,800	731,278	755,526
School Administration Services	--	--	371,333	363,965
Operation & Maintenance	--	792,674	261,316	645,596
Student Transportation	--	512,473	467,312	518,422
Student Activities	--	380,202	383,490	375,041
Business Office	--	--	130,846	124,035
School Library Services	--	--	113,627	107,280
Other	--	--	308,112	333,718
Capital Outlay	<u>--</u>	<u>--</u>	<u>627,967</u>	<u>224,330</u>
<b>Total Expenditures</b>	<b><u>\$ 7,464,114</u></b>	<b><u>\$ 7,900,829</u></b>	<b><u>\$ 7,818,919</u></b>	<b><u>\$ 7,935,385</u></b>
<b>Excess of Revenues over (under) Expenditures</b>	<b>\$ (190,876)</b>	<b>\$349,509</b>	<b>\$116,309</b>	<b>\$ (505,485)</b>
<b>Fund Balance - July 1</b>	<b><u>2,806,400</u></b>	<b><u>2,753,609</u></b>	<b><u>3,507,366</u></b>	<b><u>4,303,803</u></b>
<b>Fund Balance - June 30</b>	<b><u>\$ 2,615,523</u></b>	<b><u>\$2,853,118</u></b>	<b><u>\$2,753,609</u></b>	<b><u>\$3,507,366</u></b>

<sup>(1)</sup> Unaudited

## ***General Fund Budgets***

Table 14 provides a summary of the District's budget for the General Fund for the 2019/20 school year.

**Table 14**  
**General Fund 2019/2020 Budget**

<b>Revenues</b>	
Local Sources	\$ 1,847,058
County Sources	1,005,262
State Sources	5,116,167
Federal Sources	<u>178,889</u>
Total Revenues	<u>\$ 8,147,376</u>
<b>Expenditures</b>	<u><b>\$ 8,582,250</b></u>

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

## 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 15 shows the taxable values of taxable property in the District for assessment year 2019 collectible in 2020. Table 16 shows the trend in property valuations over the last five years.

**Table 15**  
**Property Values in the District**

Levy 2019 / Payable 2020				
	<u>Market Value</u>	<u>Assessed Value</u>	<u>Equalization Factor</u>	<u>Taxable Value</u>
Real Property				
Residential	\$ 296,835,067	\$ 148,417,533	9%	\$ 13,357,578
Agricultural	163,121,940	81,560,970	10%	8,156,097
Commercial	174,245,900	87,122,950	10%	8,712,295
Utilities				
Railroad	--	--	10%	--
Other Utilities	14,088,480	7,044,240	10%	704,424
Less: Incremental Value	--	--	10%	--
Total	\$ 648,291,387	\$ 324,145,693		\$ 30,930,394

Source: Dunn, Mercer, and Oliver Counties.

**Table 16**  
**Trend in Valuations in the District**

<u>Assessment Year/ Collection Year</u>	<u>Market Value</u>	<u>Assessed Value</u>	<u>Taxable Value</u>
2018/19	\$ 634,976,726	\$ 317,488,363	\$ 30,281,803
2017/18	629,103,948	314,551,974	29,720,708
2016/17	557,769,618	278,884,809	26,192,858
2015/16	498,162,762	249,081,381	23,422,934
2014/15	447,962,268	223,981,134	21,054,775

Source: Dunn, Mercer, and Oliver Counties.

### ***Property Tax Levies and Collections***

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

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

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

Table 17 shows the District's tax levies and collections for collection years 2015 through 2020.

**Table 17**  
**Tax Collections**

<u>Levy</u> <u>Year</u>	<u>Collection</u> <u>Year</u>	<u>Amount of Levy</u>	<u>Net Levy</u>	Net Levy Collected as of 12/31/2019	
				<u>Amount</u>	<u>% of Net Levy</u>
2019	2020	\$ 2,339,390	\$ 2,222,420	In process of collection . . . . .	
2018	2019	2,153,945	2,046,248	\$ 2,111,998	103.21%
2017	2018	2,154,752	2,047,014	2,120,316	103.58%
2016	2017	1,911,759	1,816,171	1,880,084	103.52%
2015	2016	1,680,897	1,596,852	1,654,900	103.64%
2014	2015	1,680,351	1,596,334	1,663,921	104.23%

Source: Dunn, Mercer, and Oliver Counties

***Principal Taxpayers***

A list of the principal taxpaying parcels in the District with the highest taxable valuations for the 2019 assessment, for taxes payable in 2020, is presented in Table 18 below.

**Table 18**  
**Principal Taxpayers**

<u>Taxpayer</u>	<u>Taxable Value</u>	<u>% of Total Taxable Valuation<sup>(1)</sup></u>
Dakota Access, LLC	\$ 577,112	1.87%
Bridger Pipeline, LLC	77,233	0.25%
Individual Taxpayer	45,736	0.15%
Moldenhauer Properties	45,645	0.15%
Montana Dakota Utilities Co	44,072	0.14%
Individual Taxpayer	35,358	0.11%
Individual Taxpayer	34,611	0.11%
Beulah Hotel Group	33,500	0.11%
Individual Taxpayer	26,110	0.08%
Individual Taxpayer	<u>25,770</u>	<u>0.08%</u>
Total	<u>\$ 945,147</u>	<u>3.06%</u>

<sup>(1)</sup> Based on the 2019/20 Taxable Value of \$ 30,930,394.

Source: Dunn, Mercer, and Oliver Counties

## **RATING**

The District has requested a credit rating for the Bonds from Moody's Investors Service ("Moody's"). 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.

## **TAX EXEMPTION**

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

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

Interest to be paid on the Bonds is also includable in the computation of alternative minimum taxable income for purposes of the environmental tax imposed by Section 59A of the Code on corporations. In the case of an insurance company subject to the tax imposed by Section 831 of the Code the amount which otherwise would be taken into account as losses incurred under Section 832(b)(5) of the Code must be reduced by an amount equal to fifteen percent of the interest to be paid on the Bonds that is received or accrued during the taxable year. Interest on the Bonds may additionally be included in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code.

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

## **QUALIFIED TAX-EXEMPT OBLIGATIONS**

The District will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes a portion of the interest expense that is allocable to carrying and acquiring tax-exempt obligations. Sections 265(a)(2) and 291 of the Code impose additional limitations on the deductibility of such interest expense. The District will also represent and covenant that it does not reasonably expect that it or any subordinate entities to it will issue tax-exempt obligations (other than private activity bonds, treating qualified 501(c)(3) bonds as not being private activity bonds) in an aggregate amount greater than \$10,000,000 in 2020.

## **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, as to validity and tax exemption. Bond Counsel has not participated in the preparation of this Official Statement.

## **MUNICIPAL ADVISOR**

The District has retained PFM Financial Advisors LLC, of Minneapolis, Minnesota, as Municipal Advisor (the “Municipal Advisor”) in connection with the issuance of the 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).

## **CLOSING DOCUMENTS**

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

## **CERTIFICATION**

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

## **NO LITIGATION**

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

**BEULAH PUBLIC SCHOOL DISTRICT NO. 27**

By: /s/ \_\_\_\_\_  
Superintendent



**APPENDIX A**

**The District's Audited Financial Statements  
for the Fiscal Year Ended June 30, 2018**

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# Beulah Public School District

Beulah, North Dakota

## Audit Report

For the Year Ended June 30, 2018

**JOSHUA C. GALLION**  
STATE AUDITOR

Office of the State Auditor  
Division of Local Government

# BEULAH PUBLIC SCHOOL DISTRICT

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For the Year Ended June 30, 2018

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**SCHOOL BOARD**

Stacey McLaughlin	Chair
Jennifer Steffan	Vice-Chair
Dwight Hatzenbuehler	Director
Doug Moore	Director
Dave Ripplinger	Director
Blake Seibel	Director
Dan Ziman	Director

**SCHOOL OFFICIALS**

Travis Jordan	Superintendent
Krista Richau	Business Manager

**AUDIT PERSONNEL**

Craig Hashbarger, CPA, CIA, CFE	Audit Manager
Heath Erickson, CPA	Audit In-Charge



STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
FARGO OFFICE BRANCH  
1655 43<sup>RD</sup> STREET SOUTH, SUITE 203  
FARGO, NORTH DAKOTA 58103

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**INDEPENDENT AUDITOR'S REPORT**

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School Board  
Beulah Public School District  
Beulah, North Dakota

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Beulah Public School District, Beulah, North Dakota, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Beulah Public School District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1 to the financial statements; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

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

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

**Opinions**

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

**Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. Beulah Public School District prepares its financial statements on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

**Other Matters**

*Other Information*

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

The *budgetary comparison schedule* is the responsibility of management and were derived from and relates 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 *budgetary comparison schedule* is fairly stated, in all material respects, in relation to the basic financial statements as a whole on the modified cash basis of accounting described in Note 1 to the financial statements.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2019 on our consideration of the Beulah Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Beulah Public School District's internal control over financial reporting and compliance.

/s/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
February 14, 2019

**BEULAH PUBLIC SCHOOL DISTRICT**  
Statement of Net Position – Modified Cash Basis  
June 30, 2018

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash, Cash Equivalents, and Investments	\$ 4,110,137
Capital Assets, Net	<u>5,238,639</u>
 Total Assets	 <u>\$ 9,348,776</u>
 <b>NET POSITION</b>	
Net Investment in Capital Assets	\$ 5,238,639
Restricted	
Capital Projects	1,145,954
Food Service	111,065
Unrestricted	<u>2,853,118</u>
 Total Net Position	 <u><u>\$ 9,348,776</u></u>

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



**BEULAH PUBLIC SCHOOL DISTRICT**

Statement of Activities – Modified Cash Basis

For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities</b>				
Regular Instruction	\$ 4,070,307	\$ -	\$ 147,961	\$ (3,922,346)
Special Education	245,539	-	-	(245,539)
Vocational Education	381,358	-	113,254	(268,104)
Federal Programs	216,383	-	-	(216,383)
District Wide Services	506,715	-	-	(506,715)
Administration	800,800	-	-	(800,800)
School Food Services	411,085	299,291	126,072	14,278
Operations and Maintenance	1,139,782	-	-	(1,139,782)
Transportation	604,584	-	230,074	(374,510)
Co-curricular Activities	383,537	-	-	(383,537)
<b>Total Governmental Activities</b>	<b>\$ 8,760,090</b>	<b>\$ 299,291</b>	<b>\$ 617,361</b>	<b>\$ (7,843,438)</b>
<b>General Revenues</b>				
Property Taxes				\$ 2,380,971
Unrestricted State Grants				5,823,136
Unrestricted Interest Earnings				44,409
Miscellaneous Revenue				53,260
Unrealized Gain on Investments				37,087
<b>Total General Revenues</b>				<b>\$ 8,338,863</b>
Changes in Net Position				\$ 495,425
Net Position - July 1				\$ 8,853,351
Net Position - June 30				\$ 9,348,776

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

**BEULAH PUBLIC SCHOOL DISTRICT**

Balance Sheet – Governmental Funds – Modified Cash Basis  
June 30, 2018

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	General Fund	Building Fund	Hot Lunch Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash, Cash Equivalents, and Investments	\$ 2,853,118	\$ 1,145,954	\$ 111,065	\$ 4,110,137
<b>FUND BALANCES</b>				
Restricted				
Capital Projects	\$ -	\$ 1,145,954	\$ -	\$ 1,145,954
Assigned				
Food Service	-	-	111,065	111,065
Unassigned	2,853,118	-	-	2,853,118
Total Fund Balances	\$ 2,853,118	\$ 1,145,954	\$ 111,065	\$ 4,110,137

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

**BEULAH PUBLIC SCHOOL DISTRICT**

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position – Modified Cash Basis  
June 30, 2018

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**Total Fund Balances for Governmental Funds** \$ 4,110,137

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds. 5,238,639

**Total Net Position of Governmental Activities** \$ 9,348,776

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

**BEULAH PUBLIC SCHOOL DISTRICT**

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

	General Fund	Building Fund	Hot Lunch Fund	Total Governmental Funds
<b>REVENUES</b>				
Local Sources	\$ 3,131,081	\$ 565,710	\$ 312,867	\$ 4,009,658
State Sources	4,932,364	-	-	4,932,364
Federal Sources	147,961	-	126,072	274,033
Other Sources	38,932	528	-	39,460
<b>Total Revenues</b>	<b>\$ 8,250,338</b>	<b>\$ 566,238</b>	<b>\$ 438,939</b>	<b>\$ 9,255,515</b>
<b>EXPENDITURES</b>				
Current				
Regular Instruction	\$ 4,064,685	\$ -	\$ -	\$ 4,064,685
Special Education	245,539	-	-	245,539
Vocational Education	381,358	-	-	381,358
Federal Programs	216,383	-	-	216,383
District Wide Services	506,715	-	-	506,715
Administration	800,800	-	-	800,800
School Food Services	-	-	406,219	406,219
Operations and Maintenance of Plant	792,674	619,044	-	1,411,718
Transportation	512,473	-	-	512,473
Co-curricular Activities	380,202	-	-	380,202
<b>Total Expenditures</b>	<b>\$ 7,900,829</b>	<b>\$ 619,044</b>	<b>\$ 406,219</b>	<b>\$ 8,926,092</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 349,509	\$ (52,806)	\$ 32,720	\$ 329,423
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ -	\$ 250,000	\$ -	\$ 250,000
Transfers Out	(250,000)	-	-	(250,000)
<b>Total Other Financing Sources and Uses</b>	<b>\$ (250,000)</b>	<b>\$ 250,000</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Change in Fund Balances</b>	<b>\$ 99,509</b>	<b>\$ 197,194</b>	<b>\$ 32,720</b>	<b>\$ 329,423</b>
Fund Balances - July 1	\$ 2,753,609	\$ 948,760	\$ 78,345	\$ 3,780,714
Fund Balances - June 30	\$ 2,853,118	\$ 1,145,954	\$ 111,065	\$ 4,110,137

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

**BEULAH PUBLIC SCHOOL DISTRICT**

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

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**Net Change in Fund Balances - Total Governmental Funds** \$ 329,423

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Current Year Capital Outlay	\$ 517,384	
Current Year Depreciation Expense	<u>(351,382)</u>	<u>166,002</u>

**Change in Net Position of Governmental Activities** \$ 495,425

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

**BEULAH PUBLIC SCHOOL DISTRICT**

Statement of Assets and Liabilities - Fiduciary Funds – Modified Cash Basis

June 30, 2018

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**ASSETS**

Cash	<u>\$ 227,258</u>
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**LIABILITIES**

Due to Student Activities Groups	<u>\$ 227,258</u>
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The notes to the financial statements are an integral part of this statement.

# BEULAH PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2018

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## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Beulah Public School District ("School District") have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 accompanying financial statements present the activities of the School District. The School District has considered all potential component units for which the city is financially accountable and other organizations for which the nature and significance of their relationships with the city are such that exclusion would cause the School District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the School District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the School District.

Based on these criteria, there are no component units to be included within the School District as a reporting entity.

### **B. Basis of Presentation**

*Government-wide statements.* The statement of net position and the statement of activities display information about the School District. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

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

The following major governmental funds are reported:

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

Building Fund - This fund accounts for the acquisition and construction of the School District's capital facilities.

Hot Lunch Fund - This fund accounts for the activity and financial resources that support the School District's hot lunch and breakfast programs.

Additionally, the School District reports the following fund type:

*Agency Funds.* These funds account for assets by the School District in a custodial capacity as an agent on behalf of others. The agency fund accounts for the financial transactions related to the student activity program.

**C. Measurement Focus and Basis of Accounting**

**Measurement Focus**

*Government-wide Financial Statements.* The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus, within the limitations of the modified cash basis of accounting.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified cash basis of accounting. Only current financial assets are generally included on their balance sheet. The Statements of Revenues, Expenditures, and Changes in Fund Balance reports on the sources and uses of current financial resources.

*Fiduciary Funds Financial Statement.* The fiduciary fund financial statement is reported using the economic resources measurement focus, as applied to the modified cash basis of accounting.

**Basis of Accounting**

Government-wide financial statements are prepared on the modified cash basis of accounting. This basis recognizes assets, liabilities, net position, revenues, and expenses when they result from cash transactions with a provision for depreciation. The modified cash basis of accounting is modified for recording investments at current fair value, rather than cost. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The School District's governmental funds use the current financial resources measurement focus and the modified cash basis of accounting. Revenues are recognized when received in cash and expenditures are recorded at the time of disbursement.

If the School District utilized the basis of accounting recognized as generally accepted, the government-wide statements would be prepared on the accrual basis of accounting and the governmental fund financial statements would be prepared on the modified accrual basis of accounting.

**D. Cash, Cash Equivalents, and Investments**

Cash includes amounts in demand deposits and money market accounts.

Cash equivalents consist of highly liquid investments with an original maturity of three months or less.

Investments are recorded at fair value. All investment income, including changes in the fair value, is recognized in the statement of revenues, expenditures, and changes in fund balance – modified cash basis.

**E. Capital Assets**

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

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

<b>Assets</b>	<b>Years</b>
Buildings and Improv.	10 - 50
Equipment	5 - 15
Vehicles	8
Land and Land Improv.	Indefinite



**G. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

In the fund financial statements, the face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs are reported as debt service expenditures.

**H. Pension**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability is not reported under the modified cash basis of accounting, but the information disclosed in the pension note disclosure. Note 6, is shown as additional information to the users of the financial statements.

**I. Other Post-Employment Benefits (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS), and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net OPEB liability is not reported under the modified cash basis of accounting, but the information disclosed in the OPEB note disclosure. Note 7, is shown as additional information to the users of the financial statements.

**J. Early Retirement**

The School District offers an early retirement payment plan option to teachers if they choose to retire early. The benefit is available to employees who have completed 20 years of service to the School District, with at least 10 being consecutive, and the employee has attained eligibility standards of the North Dakota Teachers' Fund for Retirement (TFFR) for a normal (unreduced) service retirement. The benefit is 80% of the teacher's current curricular lane placement on the salary schedule during the first year of edibility under TFFR, and 60% of the teacher's current curricular lane placement on the salary schedule for the five subsequent years of TFFR eligibility.

**K. Net Position**

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

Net investment in capital assets is reported for capital assets less accumulated depreciation, as well as net of any related debt to purchase or finance the capital assets. These assets are not available for future spending.

Restrictions of net position in the statement of net position are due to restricted tax levies and restricted Federal & State grants/reimbursements.

Unrestricted net position is primarily unrestricted amounts related to the general fund and negative fund balances.

**J. Fund Balances**

*Restricted Fund Balances.* Restricted fund balance is shown by primary function on the balance sheet. Restricted fund balances are restricted by tax levies (enabling legislation) and by outside 3<sup>rd</sup> parties (State & Federal governments for various grants & reimbursements).

**BEULAH PUBLIC SCHOOL DISTRICT**

Notes to the Financial Statements – Continued

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*Assigned Fund Balances.* Assigned fund balance consists of internally imposed constraints. These constraints reflect the specific purpose for which the it is the School District’s intended use and are established by the School Board and management.

*Unassigned Fund Balances.* Unassigned fund balance is reported in the general fund and for negative fund balances at year-end.

It is the policy of the School District to spend restricted resources first, followed by unrestricted resources. It is also the policy of the School District to spend unrestricted resources in the following order: committed, assigned, unassigned.

**L. Interfund Transactions**

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

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

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

**NOTE 2: DEPOSITS AND INVESTMENTS**

**Credit Risk**

Credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution’s failure, the School District would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The School District does not have a formal policy regarding deposits that limits the amount they may invest in any one issuer.

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

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

At year ended June 30, 2018, the School District’s carrying amount of deposits totaled \$3,103,832, and the bank balances totaled \$3,162,508. Of the bank balances, \$750,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution’s agent in the government’s name.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The price of a debt security typically moves in the opposite direction of the change in interest rates. The School District does not have a formal deposit policy that limits maturities as a means of managing exposure to potential fair value losses arising from increasing interest rates.

**BEULAH PUBLIC SCHOOL DISTRICT**  
 Notes to the Financial Statements – Continued

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

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

At June 30, 2018, the School District held investments in the amount of \$1,293,577, which consists of government backed securities, and are not considered deposits.

**NOTE 3: FAIR VALUE OF FINANCIAL INSTRUMENTS**

In accordance with GASB Statement No. 72, assets, deferred outflows of resources, liabilities and deferred inflows of resources are grouped at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The following table below presents the balances of assets measured at fair value on a recurring basis at June 30, 2018:

Asset	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
Government Bonds	\$ -	\$ 1,293,577	\$ -	\$ 1,293,577

**NOTE 4: PROPERTY TAXES**

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1. 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 are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

**NOTE 5: CAPITAL ASSETS**

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

	<b>Balance July 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30</b>
<i>Capital assets not being depreciated</i>				
Construction in Progress	\$ 9,840	\$ 270,659	\$ -	\$ 280,499
<i>Capital assets being depreciated</i>				
Buildings	\$ 13,373,662	\$ -	\$ -	\$ 13,373,662
Building Improvements	423,236	220,482	-	643,718
Equipment and Furniture	596,494	26,243	-	622,737
Vehicles	1,193,383	-	-	1,193,383
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 15,586,775</b>	<b>\$ 246,725</b>	<b>\$ -</b>	<b>\$ 15,833,500</b>
<i>Less Accumulated Depreciation for</i>				
Buildings	\$ 9,331,933	\$ 203,796	\$ -	\$ 9,535,729
Building Improvements	8,883	20,627	-	29,510
Equipment and Furniture	405,822	37,297	-	443,119
Vehicles	777,340	89,662	-	867,002
<b>Total Accumulated Depreciation</b>	<b>\$ 10,523,978</b>	<b>\$ 351,382</b>	<b>\$ -</b>	<b>\$ 10,875,360</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 5,062,797</b>	<b>\$ (104,657)</b>	<b>\$ -</b>	<b>\$ 4,958,140</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 5,072,637</b>	<b>\$ 166,002</b>	<b>\$ -</b>	<b>\$ 5,238,639</b>

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

Transportation	\$ 92,111
Regular Instruction	5,622
Operations and Maintenance	239,588
Co-Curricular	9,196
Food Service	4,865
<b>Total Depreciation Expense</b>	<b>\$ 351,382</b>

**NOTE 6: EARLY RETIREMENT**

The School District participates in an early retirement plan where an employee may choose early retirement if they have been a full-time employee who has completed a total of twenty years of service to the School District. The plan provides a positive method for dealing with declining enrollments and the resulting need to reduce staff. If a teacher retires in the first year of eligibility, they receive 80 percent of the lane placement on the salary schedule and receive 60 percent of the lane placement if they retire within five years after the initial year. As of June 30, 2018, the School District had a liability of \$126,381.

**NOTE 7: PENSION PLANS**

**General Information about the TFFR Pension Plan**

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

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

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

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

**Pension Benefits**

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

*Tier 1 Grandfathered*

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

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

*Tier 1 Non-grandfathered*

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

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

*Tier 2*

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

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

**Death and Disability Benefits**

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

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

**Member and Employer Contributions**

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

If reporting on the full accrual basis of accounting, at June 30, 2018 the School District would report a liability of \$6,986,183 for its proportionate share of net pension liability. The net pension liability was measured as of July 1, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district’s proportion of the net pension liability was based on the district’s share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2017, the district’s proportion was .508631%, a decrease of .018137%.

There were no deferred inflows or outflows of resources reported on the School District’s financial statements as they are reporting on the modified cash basis of accounting.

**Actuarial Assumptions**

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

Inflation	2.75%
Salary Increases	4.25% to 14.50%, varying by service, including inflation and productivity
Investment Rate of Return	7.75%, net of investment expenses
Cost-of-Living Adjustments	None

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

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

**BEULAH PUBLIC SCHOOL DISTRICT**  
Notes to the Financial Statements – Continued

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58%	6.70%
Global Fixed Income	23%	.80%
Global Real Assets	18%	5.32%
Cash Equivalents	1%	0.00%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.75% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2017, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

**Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount rate**

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

	1% Decrease (5.44%)	Current Discount Rate (6.44%)	1% Increase (7.44%)
School District’s Proportionate Share of the Net Pension Liability	\$ 2,140,605	\$ 1,576,837	\$ 1,107,806

**General Information about the NDPERS Pension Plan**

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

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

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

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

**Pension Benefits**

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

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

**Death and Disability Benefits**

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

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

**Refunds of Member Account Balance**

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

**Member and Employer Contributions**

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

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

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



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

If reporting on the full accrual basis of accounting, at June 30, 2018 the School District would report a liability of \$1,576,837 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the district's share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2017, the School District's proportion was 0.098103%, which was an increase of .006269% from its proportion measured at June 30, 2016.

There were no deferred inflows or outflows of resources reported on the School District's financial statements as they are reporting on the modified cash basis of accounting.

**Actuarial Assumptions**

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

Inflation	3.50%																				
Salary increases	<table border="0"> <tr> <td>Service at Beginning of year:</td> <td>Increase Rate:</td> </tr> <tr> <td>0</td> <td>15.00%</td> </tr> <tr> <td>1</td> <td>10.00%</td> </tr> <tr> <td>2</td> <td>8.00%</td> </tr> <tr> <td>Age*</td> <td></td> </tr> <tr> <td>Under 36</td> <td>8.00%</td> </tr> <tr> <td>36 – 40</td> <td>7.50%</td> </tr> <tr> <td>41 – 49</td> <td>6.00%</td> </tr> <tr> <td>50+</td> <td>5.00%</td> </tr> <tr> <td colspan="2">* Age-based salary increase rates apply for employees with three or more years of service</td> </tr> </table>	Service at Beginning of year:	Increase Rate:	0	15.00%	1	10.00%	2	8.00%	Age*		Under 36	8.00%	36 – 40	7.50%	41 – 49	6.00%	50+	5.00%	* Age-based salary increase rates apply for employees with three or more years of service	
Service at Beginning of year:	Increase Rate:																				
0	15.00%																				
1	10.00%																				
2	8.00%																				
Age*																					
Under 36	8.00%																				
36 – 40	7.50%																				
41 – 49	6.00%																				
50+	5.00%																				
* Age-based salary increase rates apply for employees with three or more years of service																					
Investment rate of return	7.75%, net of investment expenses																				
Cost-of-living adjustments	None																				

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.52%
International Fixed Income	5%	-.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

**Discount rate**

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required. The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

The pension plan’s fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.56%; and the resulting Single Discount Rate is 6.44%.

**Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate**

The following presents the School District’s proportionate share of the net pension liability calculated using the discount rate of 6.44 percent, as well as what their proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.44 percent) or 1-percentage-point higher (7.44 percent) than the current rate:

	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
School District’s Proportionate Share of the Net Pension Liability	\$ 9,288,254	\$ 6,986,183	\$ 5,069,778

**Pension Plan Fiduciary Net Position**

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

**NOTE 8: OPEB PLAN**

**General Information about the OPEB Plan**

**North Dakota Public Employees Retirement System**

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

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

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

**OPEB Benefits**

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

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

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

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

If reporting on the full accrual basis of accounting, at June 30, 2018, the School District would report a liability of \$73,225 for their proportionate shares of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on their share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2017, the School District's proportion was 0.092571percent.

**Actuarial assumptions**

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

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

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

**BEULAH PUBLIC SCHOOL DISTRICT**  
Notes to the Financial Statements – Continued

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Large Cap Domestic Equities	37%	5.80%
Small Cap Domestic Equities	9%	7.05%
International Equities	14%	6.20%
Core-Plus Fixed Income	40%	1.56%

**Discount rate**

The discount rate used to measure the total OPEB liability was 7.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2017, and July 1, 2016, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
School District’s Proportionate Share of the Net OPEB Liability	\$ 91,668	\$ 73,225	\$ 57,415

**NOTE 9: TRANSFERS**

The following is a reconciliation between transfers in and transfers out as reported in the financial statements for the year ended June 30, 2018:

	<b>Transfers In</b>	<b>Transfers Out</b>
<b>Major Funds</b>		
General Fund	\$ -	\$ 250,000
Building Fund	250,000	-
<b>Total Transfers</b>	<b>\$ 250,000</b>	<b>\$ 250,000</b>

Funds were transferred from the general fund to the building fund to assist with various capital expenses incurred and to pay off prior incurred debt.

**NOTE 10: RISK MANAGEMENT**

The School District is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

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

The School District has worker's compensation with the Workforce, Safety and Insurance and purchases commercial insurance for employee health and accident insurance.

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

**NOTE 11: CONSTRUCTION COMMITMENTS**

The School District had an open construction contract at year end. The total open contract is as follows:

<b>Project</b>	<b>Contract</b>	<b>Completed</b>	<b>Retainage</b>	<b>Balance to Completion</b>
Boiler				
Cofell's Plumbing and Heating	\$ 264,800	\$ 165,160	\$ 13,240	\$ 112,880
B&G Electric, LLC	127,721	122,872	12,287	17,136
<b>Total</b>	<b>\$ 392,521</b>	<b>\$ 288,032</b>	<b>\$ 25,527</b>	<b>\$ 130,016</b>

**NOTE 11: NONMONETARY TRANSACTIONS**

The School District receives food commodities from the federal government to subsidize its hot lunch program. The market value of commodities received for the year ended June 30, 2018 was \$33,277.

**NOTE 12: ECONOMIC DEPENDENCY**

The School District receives a substantial amount of its support from federal, state, and local governmental sources. A significant reduction in the level of this support, if this were to occur, may have a material effect on the School District's programs and therefore on its continued operations.

**BEULAH PUBLIC SCHOOL DISTRICT**

Budgetary Comparison Schedule – General Fund – Modified Cash Basis  
 For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Local Sources	\$ 2,681,767	\$ 2,681,767	\$ 3,131,081	\$ 449,314
State Sources	4,959,298	4,959,298	4,932,364	(26,934)
Federal Sources	186,307	186,307	147,961	(38,346)
Other Sources	20,000	20,000	38,932	18,932
<b>Total Revenues</b>	<b>\$ 7,847,372</b>	<b>\$ 7,847,372</b>	<b>\$ 8,250,338</b>	<b>\$ 402,966</b>
<b>EXPENDITURES</b>				
Current				
Regular Instruction	\$ 4,127,730	\$ 4,127,730	\$ 4,064,685	\$ 63,045
Special Education	233,459	233,459	245,539	(12,080)
Vocational Education	395,144	395,144	381,358	13,786
Federal Programs	185,308	185,308	216,383	(31,075)
District Wide Services	537,563	537,563	506,715	30,848
Administration	869,139	869,139	800,800	68,339
Operations and Maintenance	792,315	792,315	792,674	(359)
Transportation	548,759	548,759	512,473	36,286
Co-curricular Activities	282,158	282,158	380,202	(98,044)
Other Programs & Services	3,000	3,000	-	3,000
<b>Total Expenditures</b>	<b>\$ 7,974,575</b>	<b>\$ 7,974,575</b>	<b>\$ 7,900,829</b>	<b>\$ 73,746</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (127,203)	\$ (127,203)	\$ 349,509	\$ 476,712
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (64,000)	\$ (64,000)	\$ (250,000)	\$ (186,000)
<b>Net Changes in Fund Balances</b>	<b>\$ (191,203)</b>	<b>\$ (191,203)</b>	<b>\$ 99,509</b>	<b>\$ 290,712</b>
Fund Balances - July 1	\$ 2,835,435	\$ 2,835,435	\$ 2,753,609	\$ (81,826)
Fund Balances - June 30	\$ 2,644,232	\$ 2,644,232	\$ 2,853,118	\$ 208,886

The accompanying required supplementary information notes are an integral part of this schedule.

STATE AUDITOR

JOSHUA C. GALLION  
Phone (701) 328-2241



Local Government Division  
FARGO OFFICE  
MANAGER – CRAIG HASHBARGER  
Phone (701)239-7250

STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
FARGO OFFICE BRANCH  
1655 43<sup>RD</sup> STREET SOUTH, SUITE 203  
FARGO, NORTH DAKOTA 58103

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

Independent Auditor’s Report

School Board  
Beulah Public School District  
Beulah, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Beulah Public School District, Beulah, North Dakota, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Beulah Public School District’s basic financial statements, and have issued our report thereon dated February 14, 2019.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying *summary of auditor’s results and findings* as items 2018-001, 2018-002, 2018-003, and 2018-004 that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Beulah Public School District 's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**BEULAH PUBLIC SCHOOL DISTRICT**

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* - Continued

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**Beulah Public School District's Response to Findings**

Beulah Public School District's response to the findings identified in our audit is described in the accompanying *summary of auditor's results and findings*. Beulah Public School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

/s/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
February 14, 2019



**BEULAH PUBLIC SCHOOL DISTRICT**

Summary of Auditor's Results  
For the Year Ended June 30, 2018

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**Financial Statements**

Type of Report Issued?	
Governmental Activities - Modified Cash Basis	Unmodified
Major Funds - Modified Cash Basis	Unmodified
Aggregate Remaining Fund Information - Modified Cash Basis	Unmodified

**Internal control over financial reporting**

Material weaknesses identified?	<u>  X  </u> Yes	<u>      </u> None Noted
Significant deficiencies identified not considered to be material weaknesses?	<u>      </u> Yes	<u>  X  </u> None Noted
Noncompliance material to financial statements noted?	<u>      </u> Yes	<u>  X  </u> None Noted

# BEULAH PUBLIC SCHOOL DISTRICT

Schedule of Audit Findings

For the Year Ended June 30, 2018

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## 2018-001 – FINANCIAL STATEMENT PREPARATION

### Condition

Beulah Public School District does not have an internal control system over financial reporting designed to provide for the preparation of the financial statements, including the accompanying note disclosures, for external reporting. Thus, management has elected to have the financial statements and note disclosures be prepared with the assistance of the auditors.

### Criteria

Management of Beulah Public School District is responsible for establishing proper internal control over the preparation of Beulah Public School District's annual financial statements to ensure that financial statements and note disclosures are reliable, accurate, free of material misstatement, and in accordance with the modified cash basis of accounting.

### Cause

This deficiency is due to limited resources coupled with the fact that Beulah Public School District personnel may not know how to prepare basic financial statements that comply with the modified cash basis of accounting.

### Effect

An appropriate system of internal controls is not present to prepare the financial statements and the related disclosures are fairly stated in compliance with the modified cash basis of accounting.

### Recommendation

We recognize Beulah Public School District is not staffed with personnel fully knowledgeable of reporting requirements under the modified cash basis of accounting. However, it is important management is aware of this weakness and that management accepts responsibility for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting, even if the auditor assisted in drafting those financial statements. We recommend Beulah Public School District review its training system for its accounting personal and determine if it is cost effective to obtain this knowledge internally.

### Beulah Public School District's Response

Agree. Beulah Public School District is aware that there is a risk having the State Auditor's Office prepare and approve our financial statements and note disclosures. We may attempt to prepare the financial statements and note disclosures in the future.

## 2018-002 – ADJUSTING JOURNAL ENTRIES

### Condition

Material auditor-identified adjusting entries to the financial statements were proposed to properly reflect the financial statements in accordance with the modified cash basis of accounting.

### Criteria

Beulah Public School District is required to maintain internal controls at a level where support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with the modified cash basis of accounting.

**Cause**

Management of Beulah Public School District does not have adequate internal controls and training in place to ensure fair presentation of the Beulah Public School District’s financial statements in accordance with the modified cash basis of accounting.

**Effect**

Inadequate internal controls over recording of transactions affects Beulah Public School District’s ability to detect misstatements in amounts that could be material in relation to the financial statements.

**Recommendation**

Accounting personnel will need to determine the proper balance in each general ledger account prior to the audit. We recommend Beulah Public School District review its current training system and implement internal controls to identify misstatements.

**Beulah Public School District’s Response**

Agree. Beulah Public School District will review current year adjustments and determine if it is cost beneficial for the business manager to identify the adjustment prior to the start of future audits.

**2018-003 – LACK OF SEGREGATION OF DUTIES**

**Condition**

The Beulah Public School District has limited individuals responsible for most accounting functions. A lack of segregation of duties exists as limited personnel are responsible to collect and deposit monies, issue checks, send checks to vendors, record receipts disbursement in journals, maintain the general ledger, and perform bank reconciliations.

**Criteria**

Internal control guidance provided by the Committee of Sponsoring Organizations (COSO) indicate that the following functions should be separated: custody of assets, posting, reconciliation, and authorization.

**Cause**

The Beulah Public School District has limited financial resources which make segregating duties (hiring additional staff, etc) impracticable.

**Effect**

Limited segregation of duties exposes Beulah Public School District to risk of loss of assets, potential liabilities, and damage to the reputation, whether due to error or fraud.

**Recommendation**

We recommend Beulah Public School District review their internal controls over the accounting functions to determine if additional procedures can be implemented. Possible internal controls to consider include, but are not limited to:

- Periodic comparisons of direct deposit listing to amounts clearing in bank statements by someone other than the preparer
- Separating the custody of assets from the accounting function
- Review the segregation of duties over the Beulah Public School District’s cash receipt and disbursement functions
- Review of bank statements and reconciliations by someone other than the preparer

**Beulah Public School District's Response**

Agree. Beulah Public School District will continue to explore opportunities to improve its segregate duties.

**2018-004 – IMPROPER BANK RECONCILIATIONS**

**Condition**

Material auditor-identified transactions that had not yet cleared the bank were marked as cleared on the June 30, 2018 bank reconciliation.

**Criteria**

Beulah Public School District is required to maintain internal controls at a level that ensures bank reconciliations are accurately prepared.

**Cause**

Internal controls in place did not operate effectively to discover the errors in the bank reconciliation process.

**Effect**

Inadequate internal controls surrounding the bank reconciliation process affects Beulah Public School District's ability to detect misstatements in amounts that could be material in relation to the financial statements.

**Recommendation**

We recommend Beulah Public School District implement internal controls to ensure bank reconciliations are accurately prepared. Possible internal controls to consider include, but are not limited to:

- A review of the bank reconciliation by someone other than the preparer
- A spot check of transactions on the bank reconciliation by someone other than the preparer to ensure the transaction is properly reported as cleared/outstanding

**Beulah Public School District's Response**

Agree. Beulah Public School District will have someone other than the preparer review bank reconciliations.

**STATE AUDITOR**

JOSHUA C. GALLION  
Phone (701) 328-2241



Local Government Division  
FARGO OFFICE  
MANAGER – CRAIG HASHBARGER  
Phone (701)239-7250

STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
STATE CAPITAL  
600 E. BOULEVARD AVENUE – DEPT 117  
BISMARCK, NORTH DAKOTA 58505

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**GOVERNANCE COMMUNICATION**

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School Board  
Beulah Public School District  
Beulah, North Dakota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Beulah Public School District, Beulah, North Dakota, for the year ended June 30, 2018 which collectively comprise Beulah Public School District's basic financial statements and have issued our report thereon dated February 14, 2019. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in The United States of America, Government Auditing Standards and by the Uniform Guidance**

As stated in our engagement letter dated November 5, 2018, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

In planning and performing our audit, we considered Beulah Public School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on internal control over financial reporting.

As part of obtaining reasonable assurance about whether Beulah Public School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, 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.

**Significant Accounting Policies/Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Beulah Public School District are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended June 30, 2018. Application of existing policies was not changed during the year ended June 30, 2018. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements presented by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is useful lives of capital assets.

**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. Management has corrected all such misstatements. The schedule below lists all misstatements detected as a result of audit procedures that were corrected by management.

<b>AUDIT ADJUSTMENTS</b>			
Cash	\$	38,502	
Fund Balance			\$ 38,502
Fund Balance		659,919	
Accounts Receivable		123,551	
Interfund Receivable			766,513
Accounts Payable			16,957
Cash		37,087	
Revenues			37,087
Revenues		159,094	
Cash			159,094
Expenditures		464,770	
Health Insurance Payable		91,101	
Salaries Payable			555,871

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated February 14, 2019.

**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Beulah Public School District’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

**Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

\*\*\*\*\*

**FRAUD RISK ASSESSMENT**

Beulah Public School District does not currently prepare a fraud risk assessment of the entire entity. If the school district does not prepare an adequate fraud risk assessment, there is an increased risk of fraudulent financial reporting, asset misappropriation, and corruption.

Fraud risk governance is a key component of entity-wide governance and the internal control environment according to the COSO framework principles. This entity-wide governance addresses the manner in which the board of directors and management meet their respective obligations to achieve the school district's goals in reporting, reliance, and accountability.

We recommend Beulah Public School District prepare a fraud risk assessment in order to identify areas of concern within the entity to appropriately mitigate the risk of fraudulent financial reporting, misappropriation of assets, and corruption.

\*\*\*\*\*

This information is intended solely for the use of the School Board and management of Beulah Public School District, and is not intended to be, and should not be, used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of Beulah Public School District for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve Beulah Public School District.

/s/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
February 14, 2019

You may obtain audit reports on the internet at:

[www.nd.gov/auditor/](http://www.nd.gov/auditor/)

or by contacting the  
Division of Local Government Audit

Office of the State Auditor  
600 East Boulevard Avenue – Department 117  
Bismarck, ND 58505-0060

(701) 328-2220



**APPENDIX B**

**Form of Legal Opinion**

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\_\_\_\_\_, 2020

Beulah PSD No. 27  
204 5<sup>th</sup> Street NW  
Beulah, ND 58523

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**RE:**

\$ \_\_\_\_\_  
**BEULAH PUBLIC SCHOOL DISTRICT NO. 27**  
**GENERAL OBLIGATION BUILDING FUND BONDS, SERIES 2020A**

We have acted as bond counsel to Beulah Public School District No. 27, Mercer, Oliver and Dunn Counties, North Dakota (the "**Issuer**") in connection with the issuance of its \$ \_\_\_\_\_ General Obligation Building Fund Bonds, Series 2020A, dated March 11, 2020 (the "**Bonds**"). In such capacity, we have examined such law and such certified proceedings, certifications, and other documents, as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Bonds are valid and binding obligations of the Issuer and are "qualified tax exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.
2. The Bonds, unless paid from other sources, are payable as to both principal and interest from the 2020A General Obligation Building Fund Bond Fund to which the Issuer has irrevocably pledged that portion of the tax levies authorized by Section 57-15-16 of the North Dakota Century Code (School Building Fund Levy) necessary for such principal and interest payments. In the event of a deficiency, all taxable property in the territory of the Issuer is subject to ad valorem taxation without limitation regarding rate or amount to pay the

Bonds. 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.

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

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**

**Continuing Disclosure Certificate**

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## CONTINUING DISCLOSURE CERTIFICATE

**THIS CONTINUING DISCLOSURE CERTIFICATE** (this “Disclosure Certificate”) is made and entered into as of March 1, 2020, by Beulah Public School District No. 27 of Mercer, Oliver and Dunn Counties, North Dakota (the “District”), in connection with the issuance of the District’s \$ \_\_\_\_\_ General Obligation Building Fund Bonds, Series 2020A (the “Bonds”). The Bonds are being issued pursuant to a Resolution adopted February 18, 2020 (the “Resolution”), and the Bonds will be delivered to the Purchaser on the date hereof. Pursuant to Section 2.14 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.

**“EMMA”** shall mean the Electronic Municipal Market Access (EMMA®) system maintained by the Municipal Securities Rulemaking Board.

**“Final Official Statement”** means the deemed final official statement dated February \_\_, 2020, 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 the District’s audited or, if unavailable, unaudited annual financial statements, which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the District intends to continue to prepare in substantially the same form. 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 REPORT AND FINANCIAL STATEMENTS.** The Issuer shall provide the Repository a Report which is consistent with the requirements of Section 4 of this Disclosure Certificate 365 days after the end of each Fiscal Year, commencing with Fiscal Year ending June 30, 2019. A 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 Financial Statements of the Issuer may be submitted separately from the balance of a Report.



If the Dissemination Agent 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 each Repository of the MSRB in substantially the form attached as Exhibit A.

**SECTION 4. CONTENT OF REPORT.** The Issuer's Report shall contain or incorporate by reference the Issuer's Financial Statements and the operating data of the Issuer which is customarily prepared and is publicly available.

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.

(Remainder of page intentionally left blank.)

**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.

**BEULAH PUBLIC SCHOOL  
DISTRICT NO. 27, NORTH DAKOTA**

---

President of the School Board

ATTEST:

---

Business Manager

**EXHIBIT A**

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

Name of Issuer: Beulah Public School District No. 27

Name of Bond Issue: General Obligation Building Fund Bonds, Series 2020A

Name of District: Beulah Public School District No. 27

Date of Issuance: \_\_\_\_\_, 2020

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named bonds as required by Section \_\_\_ of the Resolution adopted February 18, 2020. The District anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_.

on behalf of the DISTRICT

cc: District

**APPENDIX D**

**Official Notice of Sale**

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## OFFICIAL NOTICE OF SALE

### **\$2,395,000<sup>(1)</sup> GENERAL OBLIGATION BUILDING FUND BONDS, SERIES 2020A BEULAH PUBLIC SCHOOL DISTRICT NO. 27, NORTH DAKOTA**

#### TIME AND PLACE

Electronic and sealed bids for the purchase of \$2,395,000<sup>(1)</sup> General Obligation Building Fund Bonds, Series 2020A (the “Bonds”) will be received by Beulah Public School District No. 27, North Dakota (the “District”) on Tuesday, February 18, 2020, until 11:30 A.M. Central Time in the Minneapolis office of PFM Financial Advisors LLC, 50 South Sixth Street, Suite 2250, Minneapolis, Minnesota 55402. Considerations of the award of the Bonds will be by the School Board at a meeting on Tuesday, February 18, 2020. The bid offering to purchase the Bonds upon the terms specified herein and most favorable to the District will be accepted unless all bids are rejected. No bid may be altered or withdrawn after the time appointed for opening bids.

#### SECURITY AND PURPOSE

The Bonds are payable from the 2020A General Obligation Building Fund Bond Fund to which the District has irrevocably pledged that portion of the tax levies authorized by Section 57-15-16 of the North Dakota Century Code (School Building Fund Levy), which may be levied upon all taxable property located in the District at the rate of 20 mills. In the event of a deficiency, all taxable property in the territory of the District is subject to ad valorem taxation without limitation regarding rate or amount to pay the Bonds.

The proceeds of the Bonds will be used to (i) provide a portion of the funds to construct an addition and make renovations to the high school, (ii) remodel, improve, equip, and furnish existing school property, and (iii) pay the costs associated with the issuance of the Bonds.

#### CREDIT ENHANCEMENT

The District will participate in the North Dakota School District Credit Enhancement Program.

#### FORM OF BIDS

Bids must be submitted on or in substantial compliance with the Official Bid Form provided by the District or through Parity® (the “Electronic Bid System”). The District shall not be responsible for any malfunction or mistake made by any person, or as a result of the use of the electronic bidding, facsimile facilities or the means used to deliver or complete a bid. The use of such facilities or means is at the sole risk of the prospective bidder who shall be bound by the terms of the bid as received.

No bid will be received after 11:30 A.M. Central Time on Tuesday, February 18, 2020, as specified in the Notice of Sale. The time as maintained by the Electronic Bid System shall constitute the official time with respect to all bids submitted. A bid may be withdrawn before the bid deadline using the same method used to submit the bid. If more than one bid is received from a bidder, the last bid received shall be considered.

Sealed Bidding: Sealed bids may be submitted and will be received at the office of PFM Financial Advisors LLC, 50 South Sixth Street, Suite 2250, Minneapolis, Minnesota 55402.

Electronic Bidding: The District assumes no responsibility or liability for proposals submitted electronically. Notice is hereby given that electronic proposals will be received via Parity, in the manner described below, until 11:30 A.M. Central Time on Tuesday, February 18, 2020, but no bid will be received after that time. If any provisions in this Request for Proposals conflicts with information provided by an electronic bidding service, these terms of Bond Sale shall control. For further information about Parity, potential bidders may contact PFM Financial Advisors LLC, the District’s

Municipal Advisor, or BiDCOMP/Parity, Customer Support, 1359 Broadway, Second Floor, New York, New York 10010, (212) 849-5021.

Each bidder shall be solely responsible for making necessary arrangements to access the Electronic Bid System for purposes of submitting its electronic bid in a timely manner and in compliance with the requirements of the Terms of Offering. The District is permitting bidders to use the services of the Electronic Bid System solely as a communication mechanism to conduct the electronic bidding and the Electronic Bid System is not an agent of the District. Provisions of the Notice of Sale, Terms of Offering or Official Bid Form shall control in the event of conflict with information provided by the Electronic Bid System.

**Electronic Facsimile Bidding:** Bids may be submitted via facsimile at the office of Public Financial Management, Minneapolis, Minnesota, fax number: 612-338-7264. Electronic facsimile bids will be sealed and treated as sealed bids. Neither the District nor its agents will assume liability for the inability of the bidder to reach the above named fax number prior to the time of sale specified above. The time of receipt by the District must be prior to 11:30 A.M. Central Time on Tuesday, February 18, 2020 as maintained by the Electronic Bid System as described above.

**BOND TERMS**

The Bonds are dated March 11, 2020 as the date of original issuance and are in global book-entry form, and individual purchases may be made in denominations of \$5,000 and integral multiples thereof of a single maturity. Principal is payable annually on August 1 in the following years and amounts:

<u>Year</u>	<u>Principal<sup>(1)</sup></u>	<u>Year</u>	<u>Principal<sup>(1)</sup></u>
2020	\$ 130,000	2030	\$ 115,000
2021	90,000	2031	120,000
2022	95,000	2032	125,000
2023	95,000	2033	130,000
2024	100,000	2034	130,000
2025	100,000	2035	135,000
2026	105,000	2036	140,000
2027	110,000	2037	145,000
2028	110,000	2038	150,000
2029	115,000	2039	155,000

<sup>(1)</sup> Preliminary, subject to change.

**INTEREST**

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

**ADJUSTMENT TO PRINCIPAL AFTER DETERMINATION OF BEST BID**

The District reserves the right after the bids are opened and prior to award of the Bonds, to change the aggregate par amount and the maturity amounts of the Bonds in multiples of \$5,000. Such adjustments shall be in the sole discretion of the District or its designee, provided that the District or its designee shall only make such adjustments in order to establish a debt service structure that is acceptable to the District. In the event the par amount or the maturity amounts of the Bonds are adjusted, the purchase price will be adjusted to ensure that the percentage net compensation (i.e., the percentage resulting from dividing (i) the aggregate difference between the offering price of the Bonds to the public and the price to be paid to the District (excluding accrued interest) by (ii) the principal amount of the Bonds) remains constant.

## **REDEMPTION PROVISIONS**

The Bonds maturing on August 1, 2028 and thereafter are subject to redemption on August 1, 2027 and any date thereafter at a price of par plus accrued interest to the redemption date.

## **TERM BOND OPTION**

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds subject to mandatory redemption so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above.

## **TYPE OF PROPOSAL AND AWARD**

Bids for not less than **\$2,371,050 (99.0% of Par)** plus accrued interest from the date of the Bonds to the date of delivery must be received by the District prior to the time specified above. Each bid must specify the interest rates on the Bonds in multiples of 1/20 or 1/8 of one percent, one rate per maturity. Interest will be computed on a 360-day-year, 30-day month basis.

The bid which results in the lowest true interest cost ("TIC") will be deemed the most favorable. The true interest cost is computed as the discount rate which, when used with semiannual compounding to determine the present worth of the principal and interest payments (taking into account the anticipated credit payments from the Internal Revenue Service) as of the date of the Bonds, produces an amount equal to the purchase price. If two or more bids provide the same lowest interest rate, the District shall determine which bid shall be accepted, and such determination shall be final.

Upon award of the Bonds, the successful bidder will advise the District of the initial reoffering price to the public or beneficial ownership interests in each maturity of the Bonds. Simultaneously with or before delivery of the Bonds, the successful bidder shall furnish to the District a certificate in form and substance acceptable to bond counsel (a) confirming the initial reoffering prices, (b) certifying that a bona fide initial reoffering of the Bonds has been made to the public (excluding bond houses, brokers, and other intermediaries), and (c) stating the price at which a substantial portion of the Bonds were sold to the public (excluding bond houses, brokers and other intermediaries).

The District reserves the right to reject any and all bids, to waive any informality in any bid and to adjourn the sale.

## **GOOD FAITH DEPOSIT**

A Good Faith Deposit ("Deposit") in the form of a certified or cashier's check payable to the District, or a wire transfer immediately following the award of the Bonds, in the amount of \$24,000, is required by the successful bidder (the "Purchaser"). The Deposit should be received or wire-transferred not later than 3:30 P.M. Central Time on the next business day following the award. If such Deposit is not received by that time, the District may rescind its award from the winning bidder and award the sale of the Bonds to the next best bidder.

## **BOND INSURANCE AT PURCHASER'S OPTION**

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the bidder, the purchase of any such policy or the issuance of any such commitment shall be at the sole option and expense of the Purchaser of the Bonds. Any increased costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the Purchaser, except that, if the District has requested and received a rating on the Bonds from a rating agency, the District will pay that rating fee. Any other rating agency fees shall be the responsibility of the Purchaser.

Failure of the municipal bond insurer to issue the policy after the Bonds have been awarded to the Purchaser shall not constitute cause for failure or refusal by the Purchaser to accept delivery on the Bonds.

## **RATING**

The District has requested a credit rating for the Bonds from Moody's Investors Service ("Moody's"). 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.

## **LEGAL OPINION**

An opinion as to the validity of the Bonds will be furnished by Arntson Stewart Wegner PC, Bismarck, North Dakota, Bond Counsel. The legal opinion, in substantially the form included as Appendix B in the Official Statement, will accompany the Bonds and will state that the Bonds are valid and binding general obligations of the District enforceable in accordance with their terms, except to the extent to which enforceability may be limited by principles of equity and by state or United States laws relating to bankruptcy, reorganization, moratorium or creditors' rights generally.

## **DELIVERY**

The Bonds will be delivered without cost to the Purchaser at a location mutually agreed upon by the Purchaser and the District. Delivery will be subject to the approving legal opinion of Arntson Stewart Wegner PC., Bismarck, North Dakota, Bond Counsel, and customary closing certificates, including a certificate that the Official Statement did not at the date of delivery of the Bonds contain any untrue statement of a material fact or fail to state a material fact necessary in order to make the statements contained therein not misleading, a certificate as to absence of material litigation, and an arbitrage certificate. Bonds will be delivered against payment in immediately available funds at the District's designated depository on the date of delivery. Delivery is expected to occur on or about March 11, 2020.

## **BOOK-ENTRY FORMAT**

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company (DTC), New York, New York. DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such Payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

## **CUSIP NUMBERS**

The Purchaser will assume no obligation for assignment or printing of CUSIP numbers on the Bonds or for the correctness of such numbers printed thereon, but will permit such printing to be done at the expense of the Purchaser, if the Purchaser waives any extension of the time of deliver cause thereby. PFM Financial Advisors LLC, the District's municipal advisor, will request the assignment of CUSIP numbers prior to the sale of the Bonds.

## **ESTABLISHMENT OF ISSUE PRICE**

The winning bidder shall assist the District in establishing the issue price of the Bonds and shall execute and deliver to the District at closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the District and Bond Counsel. All actions to be taken by the District under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the District by the District's Municipal Advisor and any notice or report to be provided to the District may be provided to the District's Municipal Advisor.

The District intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the “competitive sale requirements”) because:

- 1) the District shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- 2) all bidders shall have an equal opportunity to bid;
- 3) the District may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- 4) the District anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest cost), as set forth in this Notice of Sale

**Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.**

In the event that the competitive sale requirements are not satisfied, the District shall promptly so advise the winning bidder. The District may then determine to treat the initial offering price to the public as of the award date of the Bonds as the issue price of each maturity by imposing on the winning bidder the Hold-the-Offering-Price Rule as described in the following paragraph (the “Hold-the-Offering-Price Rule”). Bids will not be subject to cancellation in the event that the District determines to apply the Hold-the-Offering-Price Rule to the Bonds. **Bidders should prepare their bids on the assumption that the Bonds will be subject to the Hold-the-Offering-Price Rule in order to establish the issue price of the Bonds.**

By submitting a bid, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the “Initial Offering Price”), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the Hold-the-Offering Price Rule shall apply to any person at a price that is higher than the Initial Offering Price to the public during the period starting on the award date for the Bonds and ending on the earlier of the following:

- 1) the close of the fifth (5<sup>th</sup>) business day after the award date; or
- 2) the date on which the underwriters have sold at least 10% of a maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public (the “10% Test”), at which time only that particular maturity will no longer be subject to the Hold-the-Offering-Price Rule.

The District acknowledges that, in making the representation set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the Hold-the-Offering-Price Rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the Hold-the-Offering-Price Rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the Hold-the-Offering-Price Rule, as set forth in the retail distribution agreement and the related pricing wires. The District further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the Hold-the-Offering-Price Rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the Hold-the-Offering- Price Rule as applicable to the Bonds.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds



**OFFICIAL BID FORM**

**\$2,395,000<sup>(1)</sup> GENERAL OBLIGATION BUILDING FUND BONDS, Series 2020A  
Beulah Public School District No. 27, North Dakota**

Beulah Public School District No. 27  
Members of the School Board  
Public Financial Management

**Sale Date: February 18, 2020**  
Fax: 612-338-7264

For all or none of the principal amount of \$2,395,000<sup>(1)</sup> General Obligation Building Fund Bonds, Series 2020A (the "Bonds"), dated as of date of delivery, legally issued and as described in the Official Notice of Sale, we will pay the District \$\_\_\_\_\_ (not less than \$2,371,050) plus accrued interest on the total principal of \$2,395,000<sup>(1)</sup> to date of delivery, provided the Bonds bear the following interest rates:

<u>Year</u>	<u>Principal<sup>(1)</sup></u>	<u>Interest Rate*</u>	<u>Yield*</u>	<u>Year</u>	<u>Principal<sup>(1)</sup></u>	<u>Interest Rate*</u>	<u>Yield*</u>
2020	\$ 130,000	_____ %	_____ %	2030	\$ 115,000	_____ %	_____ %
2021	90,000	_____ %	_____ %	2031	120,000	_____ %	_____ %
2022	95,000	_____ %	_____ %	2032	125,000	_____ %	_____ %
2023	95,000	_____ %	_____ %	2033	130,000	_____ %	_____ %
2024	100,000	_____ %	_____ %	2034	130,000	_____ %	_____ %
2025	100,000	_____ %	_____ %	2035	135,000	_____ %	_____ %
2026	105,000	_____ %	_____ %	2036	140,000	_____ %	_____ %
2027	110,000	_____ %	_____ %	2037	145,000	_____ %	_____ %
2028	110,000	_____ %	_____ %	2038	150,000	_____ %	_____ %
2029	115,000	_____ %	_____ %	2039	155,000	_____ %	_____ %

<sup>(1)</sup> Preliminary, subject to change.

The Bonds will mature on August 1 in the above years and amounts. Interest is payable on February 1 and August 1, commencing August 1, 2020.

We hereby designate that the following bonds be aggregated into term bonds maturing on August 1, of the following years and in the following amounts (leave blank if no term bonds are specified):

<u>Years Aggregated</u>	<u>Maturity Year</u>	<u>Amount</u>
_____ through _____	_____	_____
_____ through _____	_____	_____
_____ through _____	_____	_____

In making this offer, we accept the terms and conditions as defined in the Official Notice of Sale published in the Official Statement dated February 6, 2020 and certify that we are an Underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. Our good faith deposit in the amount of \$24,000 will be filed with PFM Financial Advisors LLC according to the terms outlined in the Notice of Sale. All blank spaces of this offer are intentional and are not to be construed as an omission.

NOT PART OF THE BID:

Explanatory Note: According to our computation, this bid involves the following:  
\$ \_\_\_\_\_  
Net Interest Cost  
\_\_\_\_\_ %  
True Interest Rate (TIC)

Respectfully submitted,

\_\_\_\_\_  
Account Manager

By \_\_\_\_\_

(A list of the firms associated with us in this bid is on the reverse side of this proposal.)

\*\*\*\*\*  
The foregoing offer is hereby accepted by and on behalf of Beulah Public School District No. 27, this 18<sup>th</sup> day of February, 2020.

\_\_\_\_\_  
Chairperson

\_\_\_\_\_  
Business Manager