ELLENDALE PUBLIC SCHOOL DISTRICT NO. 40
Ellendale, North Dakota

AUDITED FINANCIAL STATEMENTS
June 30, 2020

MITCHELL J. MERKEL, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

ELLENDALE, NORTH DAKOTA

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SCHOOL DISTRICT OFFICIALS
JUNE 30, 2020

Scott Wertz	Board President
Michele Thorpe	Vice President
Kristi Gilbert	Board Member
Kent Schimke	Board Member
Valerie Wagner	Board Member
Michael Kaiser	Superintendent
Lana Norton	Business Manager

INDEPENDENT AUDITOR'S REPORT

School Board and Administration
Ellendale Public School District No. 40
Ellendale, North Dakota

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Ellendale Public School District No. 40, Ellendale, North Dakota, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Ellendale Public School District No. 40's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted the 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 I 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 school district's internal control. Accordingly, I 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.

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

School Board and Administration
Ellendale Public School District No. 40
Ellendale, North Dakota

Opinions

In my 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 Ellendale Public School District No. 40, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ellendale Public School District No. 40's basic financial statements. The combining nonmajor fund financial statements is presented for additional analysis and is not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In my opinion, the combining nonmajor fund financial statements is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued a report dated May 10, 2021 on my consideration of the Ellendale Public School District No. 40's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Ellendale Public School District No. 40's internal control over financial reporting and compliance.

Mitchell J. Merkel, CPA, P.C.

Mitchell J. Merkel, CPA, P.C.
Ellendale, North Dakota
May 10, 2021

ELLENDALE PUBLIC SCHOOL DISTRICT NO. 40
STATEMENT OF NET POSITION
JUNE 30, 2020

		Governmental Activities
ASSETS		
Cash and Cash Equivalents	$	2,415,552
Investments		30,384
Taxes Receivable		120,998
Due from County Treasurer		1,578
Intergovernmental Receivables		163,027
Capital Assets		
Nondepreciable		79,941
Depreciable, Net		7,832,707
TOTAL ASSETS	$	10,644,187
DEFERRED OUTFLOWS OF RESOURCES		
Derived from Pensions and OPEB	$	738,972
LIABILITIES		
Accounts Payable	$	29,952
Salaries and Benefits Payable		266,652
Interest Payable		108,338
Long-term Liabilities:		
Due Within One Year:		
G.O. School Building Bonds Payable		340,000
Capital Lease Payable		60,654
Due After One Year:		
G.O. School Building Bonds Payable		1,680,000
Capital Lease Payable		698,456
Compensated Absences Payable		17,231
Net Pension and OPEB Liability		3,920,225
TOTAL LIABILITIES	$	7,121,507
DEFERRED INFLOWS OF RESOURCES		
Derived from Pensions and OPEB	$	753,475
NET POSITION		
Net Investment in Capital Assets	$	7,153,538
Restricted for:		
Special Purposes		95,194
Food Service		78,390
Debt Service		87,959
Capital Projects		466,933
Unrestricted		(4,373,837)
TOTAL NET POSITION	$	3,508,177

See Notes to the Financial Statements

ELLENDALE PUBLIC SCHOOL DISTRICT NO. 40
STATEMENT OF ACTIVITES
FOR THE YEAR ENDED JUNE 30, 2020

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Regular Instruction	$ 2,371,006	$ 3,000	$ -	$ (2,368,006)
Federal Programs	50,821	-	138,406	87,586
Special Education	99,450	79,358	-	(20,091)
Vocational Education	264,401	-	18,890	(245,511)
District Wide Services	350,353	-	-	(350,353)
Administration	374,747	-	-	(374,747)
Operations and Maintenance	359,070	-	5,000	(354,070)
Transportation	261,052	-	117,054	(143,998)
Student Activities	164,905	-	-	(164,905)
Tuition and Assessments	197,168	-	-	(197,168)
Food Services	176,425	75,050	108,716	7,341
Interest on Long-term Debt	237,541	-	203,891	(33,649)
Total Governmental Activities	$ 4,906,937	$ 157,408	$ 591,958	(4,157,572)
	General Revenues			
	Property Taxes; Levied for General Purposes			1,270,174
	Property Taxes; Levied for Debt Service			329,230
	Property Taxes; Levied for Building Purposes			54,321
	Property Taxes; Levied for Miscellaneous			54,276
	Telecommunications Taxes			14,195
	Unrestricted State Grants			2,556,751
	Interest Income			59,974
	Miscellaneous Income			8,969
	Total General Revenues			4,347,891
	Change in Net Position			190,319
	Net Position - July 1			3,317,858
	Net Position - June 30			$ 3,508,177

ELLENDALE PUBLIC SCHOOL DISTRICT NO. 40
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2020

	Major Funds			
	General	Building	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	$ 1,711,427	$ 466,883	$ 237,242	$ 2,415,552
Investments	-	-	30,384	30,384
Taxes Receivable	93,633	3,853	23,512	120,998
Due from County Treasurer	1,219	50	308	1,578
Due from State Government	61,081	-	-	61,081
Due from Federal Government	-	-	101,946	101,946
TOTAL ASSETS	$ 1,867,361	$ 470,786	$ 393,392	$ 2,731,539
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts Payable	$ 29,952	$ -	$ -	$ 29,952
Salaries and Benefits Payable	266,652	-	-	266,652
Interest Payable	-	-	108,338	108,338
Total Liabilities	296,604	-	108,338	404,941
Deferred Inflows of Resources				
Uncollected Taxes	93,633	3,853	23,512	120,998
Fund Balances				
Restricted for:				
Capital Projects	-	466,933	-	466,933
Debt Service	-	-	87,959	87,959
Assigned				
Special Purposes	-	-	95,194	95,194
Food Service	-	-	78,390	78,390
Unassigned	1,477,124	-	-	1,477,124
Total Fund Balances	1,477,124	466,933	261,542	2,205,599
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 1,867,361	$ 470,786	$ 393,392	$ 2,731,539

See Notes to the Financial Statements

ELLENDALE PUBLIC SCHOOL DISTRICT NO. 40
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

Total Fund Balances for Governmental Funds		$ 2,205,599
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.		
Cost of Capital Assets	$ 11,428,036	
Less Accumulated Depreciation	(3,515,388)	
Net Capital Assets		7,912,648
Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resource in the funds.		120,998
The deferred outflows and inflows of resources reported on the statement of net position are the result of changes in resources related to pensions and do not affect current financial resources.		
Total Deferred Outflows of Resources	$ 738,972	
Total Deferred Inflows of Resources	(753,475)	
Net Deferred Outflows/Inflows of Resources		(14,503)
Long-term liabilities applicable to the school district's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at June 30, 2019 are:		
General Obligation Bonds Payable	$ (2,020,000)	
Capital Lease Payable	(759,110)	
Compensated Absences Payable	(17,231)	
Net Pension Liability	(3,920,225)	
Total Long-term Liabilities		(6,716,566)
Total Net Position of Governmental Activities		$ 3,508,177

ELLENDALE PUBLIC SCHOOL DISTRICT NO. 40
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Major Funds			
	General	Building	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local Sources	$ 1,357,364	$ 55,633	$ 406,157	$ 1,819,154
State Sources	2,692,695	-	1,782	2,694,478
Federal Sources	138,406	-	310,825	449,231
Other Sources	79,358	5,000	-	84,358
TOTAL REVENUES	4,267,824	60,633	718,764	5,047,221
EXPENDITURES				
Current:				
Regular Instruction	2,088,102	-	-	2,088,102
Federal Programs	50,821	-	-	50,821
Special Education	99,450	-	-	99,450
Vocational Education	264,401	-	-	264,401
District Wide Services	294,487	-	-	294,487
Administration	374,747	-	-	374,747
Operations and Maintenance	359,070	-	-	359,070
Transportation	152,643	-	-	152,643
Student Activities	164,905	-	-	164,905
Tuition and Assessments	197,168	-	-	197,168
Food Services	-	-	176,426	176,426
Capital Outlay	278,816	-	-	278,816
Debt Service:				
Principal	59,146	-	291,272	350,417
Interest and Service Charges	20,866	-	216,675	237,541
TOTAL EXPENDITURES	4,404,621	-	684,373	5,088,994
NET CHANGE IN FUND BALANCES	(136,797)	60,633	34,391	(41,773)
FUND BALANCE - BEGINNING OF YEAR	1,613,921	406,300	227,151	2,247,372
FUND BALANCE - END OF YEAR	$ 1,477,124	$ 466,933	$ 261,542	$ 2,205,599

ELLENDALE PUBLIC SCHOOL DISTRICT NO. 40
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Net Change in Fund Balances - Total Governmental Funds		$ (41,773)
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	$ 278,816	
Current Year Depreciation Expense	(331,873)	(53,057)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. T		350,417
The Net Pension and OPEB Liability, and related Deferred Outflows of Resources and Deferred Inflows of Resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.		
Net Change in Net Pension OPEB Liability	$ 45,973	
Net Change in Deferred Outflows of Resources Related to Pensions and OPEB	965	
Net Change in Deferred Inflows of Resources Related to Pensions OPEB	(163,730)	(116,792)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.		
Net Change in Compensated Absences		(3,932)
Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the net change in taxes receivable		
Net Change in Taxes Receivable		1,309
Adjustment to Reconcile Net Position		5,417
Accrued Interest Receivable		48,729
Change in Net Position of Governmental Activities		$ 190,319

See Notes to the Financial Statements

ELLENDALE PUBLIC SCHOOL DISTRICT NO. 40
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
JUNE 30, 2020

		Agency Fund
ASSETS		
Cash and Cash Equivalents	$	188,578
Investments		47,000
TOTAL ASSETS	$	235,578
LIABILITIES		
Due to Student Activities Groups	$	147,826
Due to Other Educational Organizations		8,130
Due to Employees		79,621
TOTAL LIABILITIES	$	235,578

See Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Ellendale Public School District No. 40, Ellendale, North Dakota, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Reporting Entity

The accompanying financial statements present the activities of Ellendale Public School District No. 40. The school district has considered all potential component units for which the school district is financially accountable and other organizations for which the nature and significance of their relationships with the school district 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 criterion includes appointing a voting majority of an organization's governing body and (1) the ability of Ellendale Public School District No. 40 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 Ellendale Public School District No. 40. Based on these criteria, there are no component units to be included within the Ellendale Public School District No. 40 reporting entity.

Basis of Presentation

Government-wide statements: The statement of net position and the statement of activities display information about the primary government (Ellendale Public School District No. 40). 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, fees and other non-exchange transactions. The statement of activities presents a comparison between direct expenses and program revenues for each function of the 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 and unrestricted state grants operating 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 District reports the following major governmental funds:

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

Building Fund. This fund is used to account for building and construction repairs.

The District reports the following fiduciary fund types:

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

Measurement Focus and Basis of Accounting

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

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

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

Cash and Cash Equivalents

Cash includes amounts in demand deposits and money market accounts, as well as certificates of deposit with a maturity of three months or less. 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 uninsured balance.

Investments

Investments consist of certificates of deposits with maturities greater than three months stated at fair value.

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 District as assets with an initial, individual cost of $5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized. Capital assets are depreciated using the straight-line method and the following estimated useful lives:

Buildings	50-75 Years	Improvements	20 Years
Vehicles	8 Years	Furniture and Equipment	10 Years
Office Equipment	5 Years		

Compensated Absences

Vested or accumulated sick leave is reported in the government-wide statement of net position. Compensation for unused sick leave will be granted to all certified employees upon separation from the District. The District's personnel policy requires a payout of $10 per day for those employees with less than 10 years of service and a payout of $20 per day for those exceeding 10 years of service with a maximum of 90 days accumulated. Vested or accumulated vacation leave is not reported in the governmentwide statement of net position as it is considered immaterial.

Long-Term Obligations

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

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

Pensions

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

Other Post-Employment Benefits (OPEB)

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

Net Position

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

Fund Balance

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

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

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

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

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

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

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

* Committed
* Assigned
* Unassigned

Interfund Transactions

In the governmental fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions, except reimbursements, are reported as transfers. In the government-wide financial statements, interfund transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 DEPOSITS AND INVESTMENTS

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

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

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

Custodial Credit Risk

As of June 30, 2020, the District's carrying balance was $2,679,004 and the bank balance was $2,924,052. Of the bank balance, $610,210 was covered by Federal Depository Insurance and National Credit Union Administration Insurance. The remaining balance of $2,313,851 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

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

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

The investments of the District are certificates of deposit totaling $30,000, with maturities greater than three months, held at local financial institutions.

Interest Rate Risk

The District does not have a formal deposit policy that limits maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk

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

NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS

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, 2020:

Assets	Total	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Certificates of Deposit	$ 77,384	77,384	-	-

NOTE 4 TAXES RECIEVABLE

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

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

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

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

NOTE 5 DUE FROM COUNTY TREASURER

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

NOTE 6 DUE FROM OTHER GOVERNMENTS

The amount due from state government consists of reimbursements due for expenses in the operation of various school programs. This amount consists of a mix of state and federal dollars.

NOTE 7 CAPITAL ASSETS

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

	Balance July 1	Increases	Decreases	Balance June 30
Governmental Activities				
Capital Assets Not Being Depreciated				
Construction in Progress	$ -	$ 79,941	$ -	$ 79,941
Capital Assets Being Depreciated				
Buildings	$ 8,999,476	$ -	$ -	$ 8,999,476
Improvements	599,451	-	-	599,451
Vehicles	969,321	198,875	-	1,168,196
Furniture and Equipment	189,280	-	-	189,280
Computer Equipment	391,692	-	-	391,692
Total Capital Assets Being Depreciated	$ 11,149,220	$ 198,875	$ -	$ 11,348,095
Less Accumulated Depreciation				
Buildings	$ 2,172,817	$ 133,166	$ -	$ 2,305,983
Improvements	88,469	29,973	-	118,442
Vehicles	613,341	108,409	-	721,750
Furniture and Equipment	40,660	18,928	-	59,588
Computer Equipment	268,227	41,398	-	309,625
Total Accumulated Depreciation	$ 3,183,514	$ 331,874	$ -	$ 3,515,388
Total Captial Assets Being Depreciated, Net	$ 7,965,706	$ (132,999)	$ -	$ 7,832,707
Governmental Activities Capital Assets, Net	$ 7,965,706	$ (53,058)	$ -	$ 7,912,648

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

Regular Instruction	$	167,598
District Wide Services		55,866
Transportation		108,409
Total Depreciation Expense	$	331,873

NOTE 8 CAPITAL LEASE

The District entered into a lease agreement during the year ended June 30, 2017 to finance an energy conservation assessment and renovation project for $987,013. The first payment of $80,011 was made on June 17, 2017, and the remainder will be due in annual installments of $80,011 through June 17 of 2031 at an interest rate of 2.55%. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, are as follows:

Year Ending June 30	Principal	Interest	Total
2021	60,654	19,357	80,011
2022	62,200	17,811	80,011
2023	63,786	16,225	80,011
2024	65,413	14,598	80,011
2025	67,081	12,930	80,011
2026-2030	361,953	38,102	400,055
2031	78,022	1,989	80,011
Total	$ 759,109	$ 121,012	$ 880,121

NOTE 9 LONG-TERM DEBT

Changes in Long-Term Liabilities

During the year ended June 30, 2020, the following changes occurred in liabilities reported in the long-term liabilities - governmental activities:

	Balance July 1	Increases	Decreases	Balance June 30	Due Within One Year
QSCB Bonds	$ 2,360,000	$ -	$ 340,000	$ 2,020,000	$ 340,000
Compensated Absences*	13,299	3,932	-	17,231	-
Net Pension Liability	3,966,198	-	45,973	3,920,225	-
Total	$ 6,339,497	$ 3,932	$ 385,973	$ 5,957,456	$ 340,000

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

Outstanding Debt at June 30, 2020 Consists of the Following:

Bonds Payable

The District has issued general obligation bonds to provide funds for the construction and renovation of major capital facilities.

annual installments of $265,000 to $340,000 through July 1, 2025; interest at 5.35%	$ 2,020,000

The annual requirements to amortize the outstanding bond payable are as follows:

Year Ending June 30	Principal	Interest	Total
2021	$ 340,000	$ 216,675	$ 556,675
2022	340,000	216,675	556,675
2023	335,000	216,675	551,675
2024	335,000	216,675	551,675
2025	335,000	216,675	551,675
2026-2027	335,000	216,675	551,675
Total	$ 2,020,000	$ 1,300,050	$ 3,320,050

NOTE 10 RISK MANAGEMENT

The Ellendale Public School District No. 40 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 and public assets insurance coverage. The coverage by NDIRF is limited to losses of ten million dollars per occurrence for general liability and automobile and $130,301 for mobile equipment and portable projects.

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

The 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 NORTH DAKOTA TEACHERS FUND FOR RETIREMENT

The following brief description of the North Dakota Teachers Fund for Retirement (TFFR) is provided for general information purposes only. Participants should refer to NDCC Chapter 15-39.1 for more complete information.

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

Responsibility for administration of the TFFR benefits program is assigned to a Board comprised of seven-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 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 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 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 for all three categories are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the 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.

Death and Disability Benefits

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

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

Member and Employer Contributions

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

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70.5. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

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

At June 30, 2020, the Ellendale Public School District reported a liability of $3,377,817 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2019, the district's proportion was 0.245257 percent, which was an increase of 0.00792 from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020 the district recognized pension expense of $283,685. At June 30, 2020 the district reported deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,823	$ 121,907
Changes of assumptions	120,053	-
Net difference between projected and actual earnings on pension plan investments	47,547	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	88,013	351,082
District contributions subsequent to the measurement date (see below)	225,348	-
Total	$ 485,784	$ 472,989

$225,348 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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

Year Ended June 30	
2021	$ (2,784)
2022	(82,950)
2023	(70,399)
2024	(3,044)
2025	(32,812)
Thereafter	6,436

Actuarial Assumptions

The total pension liability in the July 1, 2015 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 are based on the RP-2014 Employee Mortality Table, projected generationally using Scale MP-2014. For healthy retirees, mortality rates are 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 are based on the RP-2014 Disabled Mortality Table set forward four years.

The actuarial assumptions used were based on the results of an actuarial experience study dated April 30, 2015. They are the same as the assumptions used in the July 1, 2019, funding actuarial valuation for TFFR.

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

- Investment return assumption lowered from 8% to 7.75%.
- Inflation assumption lowered from 3% to 2.75%.
- Total salary scale rates lowered by .25% due to lower inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the 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%	6.9%
Global Fixed Income	23%	2.1%
Global Real Assets	18%	5.4%
Cash Equivalents	1%	0.0%

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2019, 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, 2019. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.

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

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

	1% Decrease (6.75%)	Current Rate (7.75%)	1% Increase (8.75%)
The district's proportionate share of the net pension liability	$ 4,561,777	$ 3,377,817	$ 2,393,917

Pension Plan Fiduciary Net Position

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

NOTE 12 NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

The following brief description of North Dakota Public Employees Retirement System (NDPERS) is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

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

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

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

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

At June 30, 2020, the Ellendale Public School District reported a liability of $509,840 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2019, the District's proportion was 0.043499 percent, which was a decrease of 0.002075 from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020 the District recognized pension expense of $93,585. At June 30, 2020 the District reported deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 301	$ 92,526
Changes of assumptions	190,514	163,573
Net difference between projected and actual earnings on pension plan investments	8,883	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,079	21,683
District contributions subsequent to the measurement date (see below)	34,168	-
Total	$ 242,945	$ 277,782

$34,168 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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

Year Ended June 30	
2021	$ 17,648
2022	2,967
2023	(22,558)
2024	(51,186)
2025	(15,879)
Thereafter	-

Actuarial assumptions

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

Inflation	2.50%		
Salary Increses	Service At Beginning of Year	State Employee	Non-State Employee
	0	12.00%	15.00%
	1	9.50%	10.00%
	2	7.25%	8.00%
	3		
	4		
	Age		
	Under 30	7.25%	10.00%
	30-49	6.50%	7.50%
	40-49	6.25%	6.75%
	50-59	5.75%	6.50%
	60+	5.00%	5.25%
	*Age-based salary increse 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 with ages set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Morality Table with ages set back one year for males (not 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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	30%	6.25%
International Equity	21%	6.95%
Private Equity	7%	10.15%
Domestic Fixed Income	23%	2.11%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.41%
Cash Equivalents	0%	0.00%

Discount Rate

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.5%; the municipal bond rate is 3.13%; and the resulting Single Discount Rate is 7.5%.

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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Rate (7.50%)	1% Increase (8.50%)
The district's proportionate share of the net pension liability	$ 731,000	$ 509,840	$ 324,026

Pension Plan Fiduciary Net Position

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

NOTE 13 OTHER POST EMPLOYMENT BENEFITS

The following brief description of North Dakota Public Employees Retirements System (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. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. 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. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

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. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The benefits are equal to $5.00 for each of the employee’s, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

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

At June 30, 2020, the District reported a liability of $32,568 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2019, the Employer's proportion was 0.040548 percent, which was a decrease of 0.002239.

For the year ended June 30, 2020, the Employer recognized OPEB expense of $4,149. At June 30, 2020, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 804	$ 1,017
Changes of assumptions	3,882	-
Net difference between projected and actual earnings on OPEB plan investments	36	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	50	1,687
District contributions subsequent to the measurement date (see below)	5,471	-
Total	$ 10,243	$ 2,704

$5,471 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020.Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year Ended June 30	
2021	$ 320
2022	320
2023	623
2024	567
2025	244
2026	5
Therafter	(11)

Actuarial assumptions

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

Inflation	2.50%
Salary increases	Not applicable
Investment rate of return	7.25%, net of investment expenses
Cost-of-living adjustments	None

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap Domestic Equities	33%	6.00%
Small Cap Domestic Equities	6%	7.30%
Domestic Fixed Income	40%	2.07%
International Equities	21%	6.95%

Discount rate. The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
The district's proportionate share of the net pension liability	$ 41,568	$ 32,568	$ 24,863

NOTE 14 CONSTRUCTION COMMITMENTS

The School District had an open construction commitment as of June 30, 2020 as follows:

	Contract Amount	Total Completed	Down Payment	Remaining Balance
Cafeteria Remodel	$ 159,882	$ -	$ 79,941	$ 79,941

REQUIRED SUPPLEMENTARY INFORMATION

ELLENDALE PUBLIC SCHOOL DISTRICT NO. 40
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local Sources	$ 1,421,400	$ 1,421,400	$ 1,357,364	$ (64,036)
State Sources	2,929,202	2,929,202	2,692,695	(236,507)
Federal Sources	195,856	195,856	138,406	(57,450)
Other Sources	125,000	125,000	79,358	(45,642)
TOTAL REVENUES	4,671,458	4,671,458	4,267,824	(403,634)
EXPENDITURES				
Current:				
Regular Instruction	2,078,210	2,078,210	2,088,102	9,892
Federal Programs	207,222	207,222	50,821	(156,401)
Special Education	104,796	104,796	99,450	(5,346)
Vocational Education	206,106	206,106	264,401	58,295
District Wide Services	403,831	319,208	294,487	(24,721)
Administration	406,947	406,947	374,747	(32,200)
Operations and Maintenance	414,313	414,313	359,070	(55,243)
Student Transportation	363,153	363,153	152,643	(210,510)
Student Activities	195,492	195,492	164,905	(30,587)
Tuition and Assessments	203,684	203,684	197,168	(6,516)
Capital Outlay	10,000	10,000	278,816	268,816
Debt Service:				
Principal	81,000	81,000	59,146	(21,854)
Interest and Service Charges	-	-	20,866	20,866
TOTAL EXPENDITURES	4,674,754	4,590,131	4,404,621	(185,510)
NET CHANGE IN FUND BALANCES	$ (3,296)	$ 81,327	(136,797)	$ (218,124)
FUND BALANCE - JULY 1			1,613,921	
FUND BALANCE - JUNE 30			$ 1,477,124	

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

ELLENDALE PUBLIC SCHOOL DISTRICT NO. 40
SCHEDULES OF EMPLOYER'S SHARE OF NET PENSION & OPEB LIABILITY
LAST 10 FISCAL YEARS
JUNE 30, 2020

North Dakota Teachers' Fund for Retirement*

	District's proportion of the net pension liability (asset)	District's proportionate share of the net pension liability (asset)	District's covered-employee payroll	District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.245257%	$ 3,377,817	$ 1,720,552	196.32%	65.50%
2019	0.237339%	3,163,389	1,613,451	196.06%	65.50%
2018	0.253622%	3,483,562	1,711,875	203.49%	63.20%
2017	0.266517%	3,904,624	1,731,625	225.49%	59.20%
2016	0.280192%	3,664,506	1,723,476	212.62%	62.10%
2015	0.293911%	3,079,666	1,704,838	180.64%	66.60%

North Dakota Public Employees Retirement System – Pension*

	District's proportion of the net pension liability (asset)	District's proportionate share of the net pension liability (asset)	District's covered-employee payroll	District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.043499%	$ 509,840	$ 452,461	112.68%	71.66%
2019	0.045574%	769,111	468,187	164.27%	62.80%
2018	0.045165%	725,950	461,068	157.45%	61.98%
2017	0.045337%	441,853	456,886	96.71%	70.46%
2016	0.043841%	298,111	390,572	76.33%	77.15%
2015	0.041276%	261,988	389,444	67.27%	77.70%

*Complete data for these schedules is not available prior to 2015.

North Dakota Public Employees Retirement System – OPEB*

	District's proportion of the net OPEB liability (asset)	District's proportionate share of the net OPEB liability (asset)	District's covered-employee payroll	District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2020	0.040548%	$ 33,698	$ 452,461	7.45%	63.13%
2019	0.042787%	33,698	468,187	7.20%	61.89%
2018	0.042622%	33,712	461,068	7.31%	59.78%

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

ELLENDALE PUBLIC SCHOOL DISTRICT NO. 40
SCHEDULES OF EMPLOYER'S CONTRIBUTIONS - PENSION & OPEB
LAST 10 FISCAL YEARS
JUNE 30, 2020

North Dakota Teachers' Fund for Retirement*

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2020	225,348	$ (225,348)	$ -	$ 1,720,552	13.10%
2019	205,715	(205,715)	-	1,613,451	12.75%
2018	205,745	(205,745)	-	1,711,875	12.02%
2017	220,782	(220,782)	-	1,731,625	12.75%
2016	219,732	(219,732)	-	1,723,476	12.75%
2015	183,269	(183,269)	-	1,704,838	10.75%

North Dakota Public Employees Retirement System – Pension*

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2020	$ 32,942	$ (31,869)	$ 1,073	$ 452,461	7.04%
2019	34,484	(33,928)	556	468,187	7.25%
2018	33,433	(32,041)	1,392	461,068	6.95%
2017	33,078	(34,171)	(1,093)	456,886	7.48%
2016	29,667	(29,773)	(106)	390,572	7.60%
2015	25,898	(25,898)	-	389,444	6.65%

*Complete data for these schedules is not available prior to 2015.

North Dakota Public Employees Retirement System – OPEB*

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2020	$ 5,262	$ (5,103)	$ 159	$ 452,461	1.13%
2019	5,492	(5,432)	60	468,187	1.16%
2018	5,360	(5,130)	230	461,068	1.11%

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

NOTE 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

The District adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States for the general fund.

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

- The annual budget must be prepared and District taxes must be levied on or before the fifteenth day of August of each year.
- The taxes levied must be certified to the county auditor by October tenth.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the business manager at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- All appropriations lapse at year-end.

NOTE 2 CHANGES OF ASSUMPTIONS

North Dakota Teachers Fund for Retirement

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

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

North Dakota Public Employees Retirement System - Pension

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.75% to 7.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.

North Dakota Public Employees Retirement System – OPEB

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.50% to 7.25%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.

NOTE 3 CHANGES OF BENEFIT TERMS

North Dakota Public Employees Retirement System - Pension

The interest rate earned on member contributions will decrease from 7.25 percent to 7.00percent effective January 1, 2020 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

North Dakota Public Employees Retirement System - OPEB

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

SUPPLEMENTARY INFORMATION

ELLENDALE PUBLIC SCHOOL DISTRICT NO. 40
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

	Special Reserve	Food Service	Sinking and Interest	Total Nonmajor Governmental Funds
ASSETS				
Cash and Cash Equivalents	$ 64,809	$ 78,390	$ 94,043	$ 237,242
Investments	30,384	-	-	30,384
Taxes Receivable	-	-	23,512	23,512
Due from County Treasurer	-	-	308	308
Due from Federal Government	-	-	101,946	101,946
TOTAL ASSETS	$ 95,194	$ 78,390	$ 219,809	$ 393,393
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Interest Payable	$ -	$ -	$ 108,338	$ 108,338
Deferred Inflows of Resources				
Uncollected Taxes	$ -	$ -	$ 23,512	$ 23,512
Fund Balances				
Restricted				
Debt Service	-	-	87,959	87,959
Assigned				
Special Purposes	95,194	-	-	95,194
Food Service	-	78,390	-	78,390
Total Fund Balances	95,194	78,390	87,959	261,542
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 95,194	$ 78,390	$ 219,809	$ 393,392

ELLENDALE PUBLIC SCHOOL DISTRICT NO. 40
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

	Special Reserve	Food Service	Sinking and Interest	Total Nonmajor Governmental Funds
REVENUES				
Local Sources	$ 599	$ 75,063	$ 330,495	$ 406,157
State Sources	-	1,782	-	1,782
Federal Sources	-	$ 106,934	203,891	310,825
TOTAL REVENUES	599	183,779	534,386	718,764
EXPENDITURES				
Current				
Food Services	-	176,426	-	176,426
Debt Service:				
Principal	-	-	291,272	291,272
Interest and Service Charges	-	-	216,675	216,675
TOTAL EXPENDITURES	-	176,426	507,947	684,373
NET CHANGE IN FUND BALANCES	599	7,353	26,439	34,391
FUND BALANCE - JULY 1	94,595	71,036	61,520	227,151
FUND BALANCE - JUNE 30	$ 95,194	$ 78,390	$ 87,959	$ 261,542

Mitchell J. Merkel, CPA, P.C.
Certified Public Accountant and Consultant

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

School Board and Administration
Ellendale Public School District No. 40
Ellendale, North Dakota

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ellendale Public School District No. 40, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Ellendale Public School District No. 40 basic financial statements and have issued my report thereon dated May 10, 2021.

Internal Control over Financial Reporting

In planning and performing the audit of the financial statements, I considered the Ellendale Public School District No. 40's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ellendale Public School District No. 40's internal control. Accordingly, I do not express an opinion on the effectiveness of the Ellendale Public School District No. 40 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that I consider to be significant deficiencies, identified as Item 2020-1 and 2020-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ellendale Public School District No. 40's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Ellendale Public School District No. 40 Response to Findings

Ellendale Public School District No. 40's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. Ellendale Public School District No. 40 response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

Mitchell J. Merkel, CPA, P.C.

Ellendale, North Dakota
May 10, 2021

SECTION I – SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:

Governmental Activities	Unmodified
Major Governmental Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal Control Over Financial Reporting:

Material Weakness (es) identified?	______Yes	__x__None Reported
Significant deficiency (ies) identified?	__x__Yes	______None Reported
Noncompliance material to financial statements noted?	______Yes	__x__None Reported

SECTION II – FINANCIAL STATEMENT FINDINGS:

Significant Deficiencies

2020-01 Segregation of Duties

Condition: The District has one person responsible for most accounting functions. The Business Manager is responsible for most transaction cycles from initiation to recording and review.

Criteria: A good system of internal controls requires that accounting responsibilities be split between the accounting and bookkeeping staff and supervisors.

Effect: There is no segregation of duties as one employee is responsible to collect monies, deposit monies, issue checks, prepare payroll, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger and prepare financial statements. This increases the risk of misstatement of the District's financial statements.

Cause: Due to the school District's size, complexity, organizational structure and the economic realities, it is not economically feasible to have more than one person responsible for the accounting function.

Recommendation: Based on the size of the District and budgetary constraints it is not economical to employ additional staff to segregate duties to a point where risk would be at an acceptable level. Recommendation that the school district continue to monitor the risk and look for opportunities to mitigate the risk with current staff.

Views of Responsible Officials: The School Board agrees that additional resources needed to reduce the deficiency would not be cost effective but will continue to monitor processes to ensure the integrity of the financial reporting process is maintained and will continue to look at ways to mitigate the risk with current resources.

Indication of Repeat Finding: This is a repeat finding from the prior year.

Significant Deficiencies

2020-02 Financial Statement Presentation

Condition: The District does not have an internal control system designed to provide for the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Criteria: A good system of internal controls contemplates an adequate system for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America.

Effect: Financial statements are not currently prepared by the school District.

Cause: Due to the school District's size, complexity, organizational structure, and the economic realities, it is not economically feasible to have staff devote time to prepare the financial statements.

Recommendation: The circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials: The School Board has decided to accept the degree of risk associated with the District not preparing its own financial statements due to the time and expense necessary to have staff prepare the statements prior to the annual audit.

Indication of Repeat Finding: This is a repeat finding from the prior year.