

**LITCHVILLE – MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2020

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LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
ROSTER OF SCHOOL OFFICIALS
AT JUNE 30, 2020

Kyle Severance	President
David Holweg Jr.	Vice President
Joy Karlgaard	Director
LaRinda Velure	Director
Krista Johnson	Director
Rhea Miller	Director
Wayne Smith	Director
Tom Nitschke	Superintendent
Cindy Vogel	Business Manager

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Litchville-Marion Public School District No. 46
Marion, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Litchville-Marion Public School District No. 46 as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Litchville-Marion Public School District No. 46, 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of District's proportionate share of the net pension liability, schedule of District's contributions to the TFFR pension plan, and the 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The roster of school officials on page 1 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2020 on our consideration of the Litchville-Marion Public School District No. 46's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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 Litchville-Marion Public School District No. 46's internal control over financial reporting and compliance.



BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

September 8, 2020

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020

As management of the Litchville-Marion Public School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The General Fund had \$2,852,038 in revenue, \$1,101 in proceeds from the sale of capital assets, \$2,739,788 in expenditures and transfers out of \$2,500.
- The ending General Fund balance for the District on June 30, 2020 was \$648,806.
- The ending General Fund cash balance for the District on June 30, 2020 was \$547,965.
- The food service fund had revenues of \$128,187 and expenditures of \$132,886 and a transfer of \$2,500 was made from the general fund to fund the deficit.
- The District holds in trust \$237,658; the interest earned from this trust is paid out in scholarships. General fund certificates of deposit total \$100,000.
- The District continues to improve the design and operation of internal control systems by implementing proper separation of duties for office personnel. This provides for proper checks and balances within the financial accounting system.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

The statement of net position presents information on all of the District's assets, deferred inflows and outflows, and liabilities, with the difference as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt.

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all North Dakota public school districts. Our District is utilizing the RDA administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds. Governmental funds consist of the general fund, food service fund and permanent fund. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$308,920 as of June 30, 2020.

A portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, equipment and supplies over \$5,000 less accumulated depreciation and any related debt used to acquire those assets that is still outstanding). The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

Net Position for the period ended June 30, 2020 and 2019

The District has provided a table below that consists of net position for the years ended June 30, 2020 and 2019.

	<u>6/30/2020</u>	<u>6/30/2019</u>
ASSETS		
Cash	\$ 552,537	\$ 415,527
Investments	337,658	337,658
Federal Receivables	-	30,178
Property Taxes Receivable	54,011	49,595
Due from Employees	841	-
Total Current Assets	<u>945,047</u>	<u>832,958</u>
Capital Assets		
Land	70,724	70,724
Construction in Progress	137,727	-
Buildings	1,027,868	1,001,324
Vehicles and Equipment	95,694	102,494
Less: Accumulated Depreciation	<u>(923,885)</u>	<u>(915,381)</u>
Total Capital Assets, Net of Depreciation	<u>408,128</u>	<u>259,161</u>
TOTAL ASSETS	<u>1,353,175</u>	<u>1,092,119</u>
DEFERRED OUTFLOWS OF RESOURCES		
Cost Sharing Defined Benefit Pension Plan-TFFR	<u>243,389</u>	<u>203,349</u>
LIABILITIES		
Vehicle Loan Payable Due Within One Year	12,161	11,548
Accounts Payable	-	2,143
Total Current Liabilities	<u>12,161</u>	<u>13,691</u>
Long-Term Liabilities		
Vehicle Loan Payable	12,805	24,966
Net Pension Liability	<u>1,653,372</u>	<u>1,547,427</u>
Total Non-Current Liabilities	<u>1,666,177</u>	<u>1,572,393</u>
TOTAL LIABILITIES	<u>1,678,338</u>	<u>1,586,084</u>
DEFERRED INFLOWS OF RESOURCES		
Cost Sharing Defined Benefit Pension Plan-TFFR	<u>227,146</u>	<u>256,993</u>
NET POSITION		
Net Investment in Capital Assets	383,162	222,647
Restricted - Nonexpendable	237,658	237,658
Restricted for Scholarships	1,164	-
Unrestricted (Deficit)	<u>(930,904)</u>	<u>(1,007,914)</u>
TOTAL NET POSITION	<u>\$ (308,920)</u>	<u>\$ (547,609)</u>

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

The following presents comparative changes in net position for the years ended June 30, 2020 and 2019:

	<u>6/30/20</u>	<u>6/30/19</u>
REVENUES		
Charges for services	\$ 50,130	\$ 57,856
Operating grants and contributions	1,564,323	1,479,844
Property taxes	1,215,706	1,119,685
Other income	151,412	113,830
Gain on sale of capital assets	401	-
Interest income	11,316	4,258
TOTAL REVENUES	<u>2,993,288</u>	<u>2,775,473</u>
EXPENSES		
Regular instruction	1,356,437	1,374,284
Special education	266,403	232,196
Vocational education	62,982	103,083
Administrative and library	282,193	263,896
Transportation	199,062	220,743
Operation and maintenance	384,311	439,378
Student activities	68,387	65,821
School food services	132,886	130,237
Interest expense	1,938	-
TOTAL EXPENSES	<u>2,754,599</u>	<u>2,829,638</u>
CHANGE IN NET POSITION	238,689	(54,165)
NET POSITION - BEGINNING	<u>(547,609)</u>	<u>(493,444)</u>
NET POSITION - ENDING	<u>\$ (308,920)</u>	<u>\$ (547,609)</u>

Capital Assets

During the year ended June 30, 2020, the District acquired \$164,271 and disposed \$6,800 of capital assets and as of June 30, 2020 the district had \$408,128 invested in capital assets (See Note 3 for details).

Long-Term Liabilities

During the year ended June 30, 2020, the District paid \$11,548 of principal on long-term debt and as of June 30, 2020 the district had \$24,966 of remaining long-term debt (See Note 5 for details).

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

Comments on General Fund Budgetary Comparison

- The District's general fund revenues for the fiscal year ended June 30, 2020 were \$2,852,038.
- General fund actual revenues were lower than budgeted revenues by \$52,221.
- The District's general fund expenditures for the fiscal year ended June 30, 2020 were \$2,739,788.
- General fund budgeted expenses were lower than actual expenditures by \$177,896.
- General fund budget expenditures to actual varied slightly but compared reasonably to the budgeted amounts as anticipated.
- The budget was amended to adjust for changes in property tax and other local source revenue and to the actual amount of federal sources.

Instructional Expenditures

Instructional expenditures account for approximately \$1,649,764 or 60% of total general fund expenditures. Regular instruction accounts for 80% of the instructional expenditures. Special education and federal programs account for 16% and vocational programs account for 4% of the instructional expenditures.

Non-Instructional Expenditures

Non-Instructional or central support services expenditures account for approximately \$1,090,024 or 40% of total general fund expenditures. Non-instructional expenditures consist of transportation (including repairs, fuel, supplies, and drivers), maintenance & operations (including utilities, repairs, insurance, supplies, electricity, heating oil, equipment and custodians), administration and library (including unemployment, worker's comp, contracted services, communications, board, library, exec. administration and office staff expenses), student activities, food services and debt service.

BUDGETARY IMPLICATIONS

Fiscal years for school districts in North Dakota run from July 1st to June 30th.

Funding formulas and enrollments continue to be monitored closely. The number of children enrolled and projected enrollment for the district is on an uphill scale and our numbers are currently going up and holding.

The District currently has a 66.77% general mill levy and 6.75% miscellaneous for a total of 73.52%.

The District received more funding in Title activities and applied for Reallocated Title I funds. These funds are used for salaries, benefits and supplies where needed. Title I Reallocated funds were written for summer school, summer school was postponed until Fiscal 2021, still utilizing the reallocated funds. Title II was used for professional development. The District encourages the certified and non-certified staff to participate in professional development learning.

Our certified staff salaries have been lowered the last couple of years with retirements of veteran teachers and hiring of teachers with less experience.

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

Building upkeep is always on the District's agenda as maintaining two buildings can be costly. Every effort is made to stay on top of upkeep and projects coming up. Both the high school and elementary buildings have had major roof repairs completed, room renovations and general maintenance.

The District continues to have a part-time Superintendent, an elementary part time principal/tech coordinator and high school part time principal/teacher. This is a good mix for the District at this time as it keeps some administration costs lower.

The District continues to contract out most of its transportation needs. The District purchased a small white bus in fiscal year 2019 to transport students to Sheyenne Valley Area Votech in Valley City daily and to transport students to LaMoure where we coop athletics. The bus is also used when possible for field trips and other transportation needs.

Two food service programs are utilized. In the last year, staffing has been shuffled around with custodians filling in to help, which has brought the cost of salaries/benefits down in that area.

The District was impacted by COVID-19 pandemic as was the entire state of North Dakota. Teachers taught online with virtual learning from March 2020 through May 2020. Every child was given an iPad or Chromebook for distance learning. If internet capabilities were not available to them already, a local provider got them up and running. Lunches and breakfast for the next day were delivered to every child through age 18 living in the District that signed up and wanted the meals.

Contacting the District's Financial Management

Questions regarding this report should be directed to the Superintendent, Tom Nitschke, or to Business Manager, Cindy Vogel (701) 762-4234 or by mail at 304 6th Avenue, Litchville, ND 58461.

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
JUNE 30, 2020

	Governmental Activities
ASSETS	
Cash	\$ 552,537
Investments	337,658
Property Taxes Receivable	54,011
Due from Employees	841
Total Current Assets	945,047
Capital Assets	
Land - Not Being Depreciated	70,724
Construction in Progress	137,727
Buildings	1,027,868
Vehicles and Equipment	95,694
Less: Accumulated Depreciation	(923,885)
Total Capital Assets, Net of Depreciation	408,128
TOTAL ASSETS	1,353,175
DEFERRED OUTFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan-TFFR	243,389
LIABILITIES	
Vehicle Loan Payable Due Within One Year	12,161
Total Current Liabilities	12,161
Long-Term Liabilities	
Vehicle Loan Payable	12,805
Net Pension Liability	1,653,372
Total Non-Current Liabilities	1,666,177
TOTAL LIABILITIES	1,678,338
DEFERRED INFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan-TFFR	227,146
NET POSITION	
Net Investment in Capital Assets	383,162
Restricted - Nonexpendable	237,658
Restricted for Scholarships	1,164
Unrestricted (Deficit)	(930,904)
TOTAL NET POSITION	\$ (308,920)

See Notes to the Financial Statements

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
GOVERNMENTAL ACTIVITIES				
Instruction:				
Regular instruction	\$ 1,356,437	\$ -	\$ -	\$ (1,356,437)
Special education & federal programs	266,403	-	150,146	(116,257)
Vocational education	62,982	-	-	(62,982)
Support Services:				
Administrative and library	282,193	-	-	(282,193)
Transportation	199,062	-	120,644	(78,418)
Operation and maintenance	384,311	-	-	(384,311)
Student Activities	68,387	-	-	(68,387)
School food services	132,886	50,130	78,057	(4,699)
Interest expense	1,938	-	-	(1,938)
Depreciation - unallocated	-	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 2,754,599</u>	<u>\$ 50,130</u>	<u>\$ 348,847</u>	<u>(2,355,622)</u>

GENERAL REVENUES

Property taxes	1,215,706
State aid not restricted to a specific function	1,215,476
Interest income	11,316
Gain on sale of capital assets	401
Other revenues	151,412
TOTAL GENERAL REVENUES	<u>2,594,311</u>
Change in Net Position	238,689
Net Position-Beginning	<u>(547,609)</u>
Net Position-Ending	<u>\$ (308,920)</u>

See Notes to the Financial Statements

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Food Service Fund	Permanent Fund	Total Governmental Funds
ASSETS				
Cash	\$ 547,965	\$ 3,408	\$ 1,164	\$ 552,537
Investments	100,000	-	237,658	337,658
Property Taxes Receivable	54,011	-	-	54,011
Due from Employees	841	-	-	841
TOTAL ASSETS	<u>\$ 702,817</u>	<u>\$ 3,408</u>	<u>\$ 238,822</u>	<u>\$ 945,047</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Property Taxes-Delinquent	\$ 54,011	\$ -	\$ -	\$ 54,011
FUND BALANCES				
Nonspendable Permanent Fund Principal	-	-	237,658	237,658
Restricted for Scholarships	-	-	1,164	1,164
Assigned Food Service	-	3,408	-	3,408
Unassigned	648,806	-	-	648,806
TOTAL FUND BALANCES	<u>648,806</u>	<u>3,408</u>	<u>238,822</u>	<u>891,036</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 702,817</u>	<u>\$ 3,408</u>	<u>\$ 238,822</u>	<u>\$ 945,047</u>

See Notes to the Financial Statements

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2020

Total fund balances - governmental funds		\$ 891,036
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Land	\$ 70,724	
Construction in progress	137,727	
Buildings	1,027,868	
Vehicles and equipment	95,694	
Less: accumulated depreciation	<u>(923,885)</u>	408,128
Net deferred outflows (inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities are not financial resources and therefore, are not reported as deferred outflows (inflows) of resources in the governmental funds.		
		16,243
Property taxes receivable will be collected during the year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		
		54,011
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.		
Vehicle loan payable		(24,966)
Net Pension Liability		<u>(1,653,372)</u>
Total net position - governmental activities		<u>\$ (308,920)</u>

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Permanent Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 1,211,290	\$ -	\$ -	\$ 1,211,290
Revenue from state sources	1,336,120	325	-	1,336,445
Revenue from federal sources	150,146	77,732	-	227,878
Other local sources	151,412	50,130	-	201,542
Interest income	3,070	-	8,246	11,316
TOTAL REVENUES	<u>2,852,038</u>	<u>128,187</u>	<u>8,246</u>	<u>2,988,471</u>
EXPENDITURES				
Current				
Regular instruction	1,320,379	-	-	1,320,379
Special education & federal programs	266,403	-	-	266,403
Vocational education	62,982	-	-	62,982
Administrative and library	282,193	-	-	282,193
Transportation	193,112	-	-	193,112
Operation and maintenance	375,657	-	-	375,657
Student activities	61,305	-	7,082	68,387
School food services	-	132,886	-	132,886
Capital Outlay				
Capital outlay	164,271	-	-	164,271
Debt Service				
Principal retirement	11,548	-	-	11,548
Interest and Fees on Long-Term Debt	1,938	-	-	1,938
TOTAL EXPENDITURES	<u>2,739,788</u>	<u>132,886</u>	<u>7,082</u>	<u>2,879,756</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>112,250</u>	<u>(4,699)</u>	<u>1,164</u>	<u>108,715</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	2,500	-	2,500
Transfers out	(2,500)	-	-	(2,500)
Proceeds from sale of capital assets	1,101	-	-	1,101
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,399)</u>	<u>2,500</u>	<u>-</u>	<u>1,101</u>
NET CHANGE IN FUND BALANCE	110,851	(2,199)	1,164	109,816
FUND BALANCE, BEGINNING OF YEAR	<u>537,955</u>	<u>5,607</u>	<u>237,658</u>	<u>781,220</u>
FUND BALANCE, END OF YEAR	<u>\$ 648,806</u>	<u>\$ 3,408</u>	<u>\$ 238,822</u>	<u>\$ 891,036</u>

See Notes to the Financial Statements

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Total net change in fund balances - governmental funds \$ 109,816

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

Capital outlays are reported in governmental funds as expenditures. However in
the statement of activities, the cost of those assets is allocated over the estimated
useful lives as depreciation expense.

Capital outlays	\$ 164,271	
Depreciation expense	<u>(14,604)</u>	149,667

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	11,548
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When recognizing the sale of capital assets, the governmental funds report the total proceeds of the sale. Only the gain or loss on the sale is reported on the statement of net position	(700)
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Some revenues will not be collected for several months after the District's
fiscal year end. These revenues are not considered "available" revenues
in the governmental funds. These consist of:

Net change in unavailable property taxes	4,416
--	-------

Changes in deferred outflows and inflows of resources related to net pension liability	69,887
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Changes in net pension liability	<u>(105,945)</u>
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Change in net position - governmental activities	<u><u>\$ 238,689</u></u>
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LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
STATEMENT OF NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2020

	Student Activities Fund	Scholarship Fund	Flex Fund	Total Fiduciary Funds
ASSETS				
Cash	\$ 46,502	\$ 2,156	\$ 8,538	\$ 57,196
TOTAL ASSETS	<u>\$ 46,502</u>	<u>\$ 2,156</u>	<u>\$ 8,538</u>	<u>\$ 57,196</u>
LIABILITIES				
Due to Student Groups	\$ 46,502	\$ -	\$ -	\$ 46,502
Due to Employees	-	-	8,538	8,538
TOTAL LIABILITIES	<u>46,502</u>	<u>-</u>	<u>8,538</u>	<u>55,040</u>
NET POSITION				
Restricted for Scholarships	-	2,156	-	2,156
TOTAL NET POSITION	<u>\$ -</u>	<u>\$ 2,156</u>	<u>\$ -</u>	<u>\$ 2,156</u>

See Notes to the Financial Statements

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

ADDITIONS	Scholarship Fund
Contributions:	
Other	\$ 288
TOTAL ADDITIONS	288
Change in Net Position	288
Net Position—Beginning of the Year	1,868
Net Position—End of the Year	\$ 2,156

See Notes to the Financial Statements

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The District, in accordance with government accounting standards, has developed criteria to determine whether outside agencies with activities which benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the District exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of public service and special financing relationships. The District has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the District's financial statements.

Basis of Presentation

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The District's basic financial statements consist of government-wide statements and fund financial statements.

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the District are included in the statement of net position.

Government-wide financial statements are prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements display information about the District as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The fiduciary funds are only reported in the Statement of Fiduciary Net Position at the fund financial statement level.

The statement of net position presents the financial condition of the governmental activities of the District at year-end.

The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. The statement identifies the extent to which each governmental function is self-financing or drawing from the general revenues of the District. Direct expenses are expenses that are specifically associated with a service, program or department. The direct expenses are clearly identifiable to a particular function. Program revenues include charges to recipients for goods or services offered by the program, grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District.

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

Fund Financial Statements

The governmental funds are accounted for using a flow of current financial resources measurement focus. Under this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources and uses of current financial resources.

The District's governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of its fiscal year. Expenditures are generally recorded as the related fund liability is incurred.

The current financial resources measurement focus differs from the manner that the governmental activities of the government-wide financial statements are prepared. Due to the difference, the District's financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds.

Separate fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Typically, aggregated information for the remaining non-major governmental funds is reported in a single column in the fund financial statements; currently, however, all funds of the District are considered major in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the District-wide financial statements.

Governmental Funds

Governmental funds are utilized to account for most of the District's governmental functions. The reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which the obligation will be paid. Fund balance represents the difference between the governmental fund assets and liabilities. The District's major governmental funds consist of the following:

General Fund

This fund is the general operating fund of the District. It accounts for all financial resources except those requiring to be accounted for in another fund.

Food Service

This fund accounts for the financial resources associated with the District's hot lunch program.

Permanent Fund

This fund accounts for assets a government holds in a trustee capacity for others when the principal of the trust is held intact and only the income earned by the principal may be used for the purpose specified in the trust agreement.

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

Non-major Governmental Funds

Typically, aggregated information for the non-major governmental funds is reported in a single column in the fund financial statements; currently, however, all funds of the District are considered major in the fund financial statements so there are no non-major funds in the District's financial statements.

Fiduciary Funds

The reporting focus of fiduciary funds is on net position and changes in net position. The District's fiduciary funds consist of the following:

Student Activity Fund

This fund accounts for the financial transactions related to the District's student activity programs. This fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Scholarship Fund

This fund accounts for contributions a government holds in a trustee capacity for others.

Flex Fund

This fund accounts for employee funds withheld for their flexible spending benefits.

Revenues-Exchange and Non-Exchange Transactions

Exchange transactions are transactions in which each party gives and receives essentially equal value. Under the accrual basis of accounting, revenue for exchange transactions is recorded when the exchange takes place. Under the modified accrual basis of accounting, revenue for exchange transactions is recorded when the resources are measurable and available.

Non-exchange transactions include transactions in which the District receives value without directly providing value in return. Non-exchange transactions include property taxes, grants, entitlements, and donations.

Under the accrual basis of accounting, property taxes are recorded as revenue in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recorded in the fiscal year in which all eligibility requirements have been satisfied. Under the modified accrual basis of accounting, revenue from non-exchange transactions must also be available before it is recorded in the financial records of the District.

Revenue sources susceptible to accrual include: property taxes, intergovernmental revenues and investment income.

Unearned Revenues

Unearned revenue arises when assets are recognized in the financial statements before the revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenues.

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resource (expense/ expenditure) until that time. The District has one item reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents actuarial differences within the TFFR pension plan as well as amounts paid to the plans after the measurement date. See Note 4 for more details.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable property taxes – delinquent*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also has one item reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents the actuarial differences within the TFFR pension plan. See Note 4 for more details.

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent, with the assistance of the business managers, prepares the School District budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on a modified accrual basis.
2. The School Board reviews the budget, may make revisions, and approves the final budget on or before August 15. The final budget must be filed with the county auditor by August 25 of each year.
3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10, of each year. The budget amounts shown in the financial statements are the final authorized amounts as revised.
4. The balance of each appropriation becomes a part of the unappropriated balance at year-end.

Cash and Cash Equivalents

The District considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

Investments

Investments consist solely of certificates of deposit with maturities of longer than three months.

Capital Assets

Capital assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The District has established a capitalization threshold of \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the District-wide financial statements but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 20 years for equipment and vehicles.

Capital assets not being depreciated include land. The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

Property taxes

Property tax levies are set by the School Board each year and are certified to the County for collection in the following year. In North Dakota, counties act as collection agents for all property taxes. The counties spread all levies over taxable property. Property taxes are attached as an enforceable lien on the real estate and become due January 1 of the year following the assessment date. A 5% reduction is allowed if paid by February 15th.

Penalty and interest are added March 1st unless the first half of the taxes has been paid. Additional penalties are added October 15th if not paid.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. All other taxes are presented as deferred inflows of resources.

Compensated Absences

Compensated absences are recorded as an expenditure when taken by the employee of the District.

Pensions

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

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

Fund Balance

In the fund financial statements, governmental funds report fund balance in the classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable – consists of amounts that are not in spendable form, such as inventory and prepaid items.

Restricted – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions and administered by the North Dakota Department of Public Instruction.

Committed – consists of internally imposed constraints. These constraints are established by Resolution of the Board of Education.

Assigned – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the District's intended use. These constraints are established by the Board of Education and/or management.

Unassigned – is the residual classification for the general fund and also reflects negative residual amounts in other funds.

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

When committed, assigned or unassigned resources are available for use, the District's preference is to use resources in the following order; 1) restricted 2) committed 3) assigned and 4) unassigned.

Net Position

In the government-wide financial statements, equity is classified as "net position" and displayed in three components:

1. Net Investment in Capital Assets – Consists of the remaining undepreciated cost of the assets less the outstanding debt associated with the purchase or construction of the related asset.
2. Restricted Net Position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

Minimum Fund Balance Policy

The Board of Education has not formally adopted a fund balance policy for the General Fund, however, the Board tries to maintain a fund balance of not less than 10% of the General Fund's current annual operating expenditure budget.

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

Inter-fund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Encumbrances

Encumbrances, which represent commitments related to unperformed contracts for goods or services, have not been recorded in the financial statements.

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 the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS

The District's funds are required to be deposited and invested with the designated depositories in accordance with the laws of North Dakota. North Dakota laws require all public deposits be protected by insurance, surety bond, or collateral pledged by the financial institution. Pledged collateral must equal 110% of the deposits not covered by insurance or bonds.

The District's investments consist of certificates of deposit.

Interest Rate Risk

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

Credit Risk

North Dakota laws restrict allowable investments for public funds in order to safeguard the principle on investments. North Dakota law authorizes political subdivisions including school districts to invest surplus funds in:

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

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

	Balance 6-30-19	Additions	Disposals	Balance 6-30-20
Governmental Activities				
Land	\$ 70,724	\$ -	\$ -	\$ 70,724
Construction in Progress	-	137,727	-	137,727
Buildings	1,001,324	26,544	-	1,027,868
Vehicles and equipment	102,494	-	6,800	95,694
Total	<u>1,174,542</u>	<u>164,271</u>	<u>6,800</u>	<u>1,332,013</u>
Less Accumulated Depreciation				
Buildings	867,289	8,654	-	875,943
Vehicles and equipment	48,092	5,950	6,100	47,942
Total	<u>915,381</u>	<u>14,604</u>	<u>6,100</u>	<u>923,885</u>
Net Capital Assets for				
Governmental Activities	<u>\$ 259,161</u>	<u>\$ 149,667</u>	<u>\$ 700</u>	<u>\$ 408,128</u>

Depreciation expense is charged to the various functions in the Statement of Activities as follows:

	<u>Depreciation</u>
Transportation	\$ 5,950
Operation and maintenance	8,654
	<u>\$ 14,604</u>

NOTE 4 - PENSION PLAN

North Dakota Teacher's Fund For Retirement

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

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

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

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

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

At June 30, 2020, the District reported a liability of \$1,653,372 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2019, the Employer's proportion was 0.120049 percent which was an increase of 0.003951 from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Employer recognized pension expense of \$146,251. At June 30, 2020, the Employer 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 economic experience	\$ 2,361	\$ 59,671
Changes in actuarial assumptions	58,764	-
Difference between projected and actual investment earnings	23,273	-
Changes in proportion	48,799	167,475
Contributions paid to TFFR subsequent to the measurement date	110,192	-
Total	<u>\$ 243,389</u>	<u>\$ 227,146</u>

\$110,192 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

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 ending June 30:	Pension Expense Amount
2021	\$ 6,031
2022	(33,209)
2023	(23,888)
2024	(16,926)
2025	(29,247)
Thereafter	3,290

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	2.75%
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

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equities	58.00%	6.90%
Global Fixed Income	23.00%	2.10%
Global Real Assets	18.00%	5.40%
Cash Equivalents	1.00%	0.00%

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.

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

Pension Liability Sensitivity

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

	1% Decrease in Discount Rate 6.75%	Discount Rate 7.75%	1% Increase in Discount Rate 8.75%
District's proportionate share of the TFFR net pension liability:	\$ 2,232,896	\$ 1,653,372	\$ 1,171,773

Pension Plan Fiduciary Net Position

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

NOTE 5 - LONG TERM LIABILITIES

The long term liability obligations at year-end and changes in long term liabilities are summarized as follows:

Title	Interest Rate	Original Maturity	Balance 7/1/2019	Additions	Reductions	Balance 6/30/2020	Due within One Year
Vehicle Loan	5.31	1/7/2022	\$ 36,514	\$ -	\$ 11,548	\$ 24,966	\$ 12,161
Net Pension Liability			<u>1,547,427</u>	<u>505,093</u>	<u>399,148</u>	<u>1,653,372</u>	-
			<u>\$ 1,583,941</u>	<u>\$ 505,093</u>	<u>\$ 410,696</u>	<u>\$ 1,678,338</u>	<u>\$ 12,161</u>

Interest expense was \$1,938 for the year ended June 30, 2020. The above loan is collateralized by a 2016 Ford Econoline.

Net pension liability and the vehicle loan are generally liquidated by the general fund.

Annual debt service requirements for the vehicle loan are as follows:

Year Ending June 30	Principal	Vehicle Loan Interest	Total
2021	\$ 12,161	\$ 1,325	\$ 13,486
2022	<u>12,805</u>	<u>680</u>	<u>13,485</u>
Total	<u>\$ 24,966</u>	<u>\$ 2,005</u>	<u>\$ 26,971</u>

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

NOTE 6 - COMMITMENTS AND CONTINGENCIES

Grant Programs

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2020, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries insurance for risks of loss considered necessary, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The District's property insurance is through the North Dakota State Fire and Tornado Fund, the liability insurance is provided through the North Dakota Insurance Reserve Fund, employee bond is provided by the North Dakota State Bond Fund, and workers' compensation is provided by the North Dakota Workers' Compensation Bureau. Other risks are covered by private insurance.

NOTE 8 - CHARITABLE TRUST

The District has been named as trustee of a Trust Fund. The proceeds received each year are to be awarded to graduates of the Litchville-Marion Public School District by said trustees.

NOTE 9 - INTERFUND ACTIVITY

Schedule of Transfers	
Transfer to Food Service from General fund	<u>\$ 2,500</u>

Transfer is to fund the deficit from food service for the year.

NOTE 10 - NON-MONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its hot lunch program. The market value of commodities received for the year ended June 30, 2020 was \$6,327.

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

NOTE 11 - NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued several new statements, some of which have not been implemented by the District.

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

GASB Statement No. 92, Omnibus 2020, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 93, Replacement of Interbank Offered Rates, provides guidance to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notable, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement provides exceptions and clarifications regarding hedging derivative instruments for such transactions that result from the replacement of IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 96, Subscription-Based Information Arrangements provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32 provides additional guidance for determining whether a primary government is financially accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, Fiduciary Activities, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, Financial Reporting for Pension Plans, or paragraph 3 of Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

Management has not yet determined the effect these statements will have on the District's financial statements.

NOTE 12 - SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through September 8, 2020, which is the date these financial statements were available to be issued.

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2020

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
REVENUES				
Property taxes	\$ 1,204,370	\$ 1,254,370	\$ 1,211,290	\$ (43,080)
Revenue from state sources	1,343,552	1,343,552	1,336,120	(7,432)
Revenue from federal sources	84,728	163,452	150,146	(13,306)
Other local sources	117,512	141,665	151,412	9,747
Interest income	1,220	1,220	3,070	1,850
TOTAL REVENUES	2,751,382	2,904,259	2,852,038	(52,221)
EXPENDITURES				
Current				
Regular instruction	1,427,399	1,481,292	1,320,379	160,913
Special education	236,573	264,987	266,403	(1,416)
Vocational education	79,050	80,746	62,982	17,764
Administrative and library	280,584	285,605	282,193	3,412
Transportation	197,453	197,453	193,112	4,341
Operation and maintenance	455,210	530,866	375,657	155,209
Student activities	63,249	63,249	61,305	1,944
Debt Service				
Principal payments	11,548	11,548	11,548	-
Interest expense	1,938	1,938	1,938	-
Capital outlay	-	-	164,271	(164,271)
TOTAL EXPENDITURES	2,753,004	2,917,684	2,739,788	177,896
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,622)	(13,425)	112,250	125,675
OTHER SOURCES (USES)				
Proceeds from sale of capital assets	-	-	1,101	1,101
Transfers out	(30,000)	(30,000)	(2,500)	27,500
TOTAL OTHER SOURCES (USES)	(30,000)	(30,000)	(1,399)	28,601
NET CHANGE IN FUND BALANCE	(31,622)	(43,425)	110,851	154,276
FUND BALANCE - JULY 1	537,955	537,955	537,955	-
FUND BALANCE - JUNE 30	\$ 506,333	\$ 494,530	\$ 648,806	\$ 154,276

See Note to the Budgetary Comparison Schedule

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTE TO THE BUDGETARY COMPARISON SCHEDULE
AS OF JUNE 30, 2020

NOTE 1 - BUDGETING POLICIES

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent, with the assistance of the business managers, prepares the School District budget for the general fund. The budget includes proposed expenditures and the means of financing them. The budget is prepared on a modified accrual basis.
2. The School Board reviews the budget, may make revisions, and approves the final budget on or before August 15. The final budget must be filed with the county auditor by August 25 of each year.
3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10, of each year. The budget amounts shown in the financial statements are the final authorized amounts as revised.
4. The balance of each appropriation becomes a part of the unappropriated balance at year-end.

The District legally adopts a budget for the general fund and does not legally adopt a budget for the special revenue or the food service fund.

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN YEARS

Teachers Fund for Retirement

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered- Employee Payroll	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	0.120049%	\$ 1,653,372	\$ 842,175	196.32%	65.50%
2019	0.116098%	1,547,427	789,247	196.06%	65.50%
2018	0.131432%	1,805,259	887,132	203.49%	63.20%
2017	0.131458%	1,925,932	854,113	225.49%	59.20%
2016	0.130479%	1,706,476	802,581	212.62%	62.10%
2015	0.139115%	1,457,679	806,940	180.64%	66.60%

The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability which is June 30 of the previous fiscal year.

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for prior years is not available.

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE TFFR PENSION PLAN
LAST TEN YEARS

Teachers Fund for Retirement

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2020	\$ 110,192	\$ (110,192)	\$ -	\$ 864,250	12.75%
2019	107,377	(107,377)	-	842,173	12.75%
2018	100,629	(100,629)	-	789,247	12.75%
2017	113,109	(113,109)	-	887,132	12.75%
2016	108,900	(108,900)	-	854,113	12.75%
2015	102,329	(102,329)	-	802,581	12.75%

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for prior years is not available.

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 CHANGES OF ASSUMPTIONS

TFFR

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.

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

To the Board of Education
Litchville-Marion Public School District No. 46
Marion, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Litchville-Marion Public School District No. 46 as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Litchville-Marion Public School District No. 46's basic financial statements and have issued our report thereon dated September 8, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Litchville-Marion Public School District No. 46's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the effectiveness of Litchville-Marion Public School District No. 46's internal control. Accordingly, we do not express an opinion on the effectiveness of Litchville-Marion Public School District No. 46's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of control deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2020-001 to be a material weakness.

A *significant deficiency* is a deficiency, or 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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2020-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Litchville-Marion Public School District No. 46's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the District's responses and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and 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.



BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

September 8, 2020

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2020

Material Weakness 2020-001

Criteria:

An appropriate system of internal controls maintains proper segregation of duties to provide reasonable assurance that transactions are handled appropriately.

Condition:

The District has one office employee, who is responsible for all accounting functions. The individual issues all checks and distributes them and does the bank reconciliations. The individual also records receipts and disbursements to the journals and maintains the general ledger. The degree of internal control is severely limited.

Cause:

There is one employee for multiple functions such as executing and recording transactions.

Effect:

Lack of segregation of duties leads to a limited degree of internal control.

Recommendation:

The District should separate the duties when it becomes feasible. As a compensating control, the District should ensure additional oversight by the superintendent and board regarding financial transaction activity.

Management's Response:

We concur with the auditor's recommendation. The District will consider the costs and benefits of this recommendation. The Superintendent reviews and signs off on the bank statements each month.

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

Significant Deficiency 2020-002

Criteria:

An appropriate system of internal control requires the District to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

Condition:

The District's personnel prepare periodic financial information for internal use that meets the needs of management and the board. However, the District currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The District has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause:

The District elected to not allocate resources for the preparation of the financial statements.

Effect:

There is an increased risk of material misstatement to the District's financial statements.

Recommendation:

We recommend the District consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control the District should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Management's Response:

We concur with the auditor's finding and will consider the risks and costs associated with the financial statement preparation.