

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Colfax, North Dakota

AUDITED FINANCIAL STATEMENTS
Year Ended June 30, 2020

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Colfax, North Dakota

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RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Colfax, North Dakota

OFFICIAL DIRECTORY
June 30, 2020

Nathan Berseth	President
Craig Olson	Vice-President
Nicole Holdman	Board Member
Jody Lingen	Board Member
Amy Lehmann	Board Member
Todd Johnson	Board Member
Scott Hendrickson	Board Member
Brittney Gandhi	Superintendent
Kendra Dockter	Business Manager



INDEPENDENT AUDITOR'S REPORT

School Board
Richland Public School District No. 44
Colfax, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Richland Public School District No. 44, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise Richland Public School District No. 44's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Richland Public School District No. 44's 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 Richland Public School District No. 44, 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 schedule – general fund, schedules of employer's proportionate share of net pension liability, schedules of employer contributions, and notes to required supplementary information presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Richland Public School District No. 44's basic financial statements. The nonmajor governmental funds – combining balance sheet, nonmajor governmental funds – schedule of revenues, expenditures, and changes in fund balance, and schedule of receipts and disbursements – activity fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The nonmajor governmental funds – combining balance sheet, nonmajor governmental funds – schedule of revenues, expenditures, and changes in fund balance, and schedule of receipts and disbursements – activity fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the nonmajor governmental funds – combining balance sheet, nonmajor governmental funds – schedule of revenues, expenditures, and changes in fund balance, and schedule of receipts and disbursements – activity fund are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The official directory 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2021 on our consideration of Richland Public School District No. 44's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Richland Public School District No. 44's internal control over financial reporting and compliance.



Nadine Julson, LLC
Wahpeton, North Dakota
January 21, 2021

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Colfax, North Dakota

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

The Management's Discussion and Analysis (MD&A) of Richland Public School District No. 44's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2020, with comparative data for the fiscal year ended June 30, 2019. The intent of the MD&A is to look at the District's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

Financial Highlights

Key financial highlights for the year ended June 30, 2020 are as follows:

The District entered the 2019-2020 school year expecting a deficit with only slightly more revenue from the year before and additional positions added. Pupil transportation also required significant repairs including over \$70,000 on current busses. With this, both the Transportation and Finance committees decided not to purchase a new bus as the District had hoped. COVID-19 also resulted in our 4th quarter schooling to transition to distance learning. While that did not cause any significant financial changes, it did result in slight savings to diesel for busses.

Using this Annual Report

This annual financial report consists of a series of statements and related footnotes. These statements are organized so that the reader can understand the Richland Public School District No. 44 as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

Reporting on the District as a Whole

Statement of Net Position and Statement of Activities

These statements are summaries of all the funds used by the Richland Public School District No. 44 to provide programs and activities and attempt to answer the question "How did the District do financially during the year ended June 30, 2020?"

The Statement of Net Position presents information on all the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases and 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 on how the District's net position changed during the fiscal year. This statement is presented using the accrual basis of accounting, which means that all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes).

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

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Management's Discussion and Analysis - Continued

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, regular instruction, federal programs, special education, vocational education, administration, food services, operation and maintenance of buildings and grounds, student transportation, and co-curricular activities.

The government-wide financial statements can be found on pages 11-12 of this report.

Reporting on the District's Most Significant Funds

Balance Sheet - Governmental Funds

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

The District's other funds, food service and special reserve fund, are used to account for a multitude of financial transactions and is summarized under the heading "Other Governmental Funds".

The basic governmental fund financial statements can be found on pages 13-16 of this report.

In addition, the District has the following fund type:

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Richland Public School District No. 44's own programs.

The basic fiduciary fund financial statements can be found on page 17 of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 18-40 of this report.

The combining statements referred to earlier in connection with nonmajor government funds can be found on pages 47-48 of this report.

Financial Analysis of the District as a Whole

Table I provides a summary of the District's net position as of June 30, 2020 and 2019. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Richland Public School District No. 44, net position increased by \$165,370 for the year ending June 30, 2020.

The District's net position at June 30, 2020 is segregated into three separate categories. Net position invested in capital assets (net of related debt) are not available for future spending. Restricted net position represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted net positions are available to meet the District's ongoing obligations.

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Management's Discussion and Analysis - Continued

Table I
Net Position
June 30,

	2020	2019
Assets and Deferred Outflows of Resources		
Current Assets	\$ 1,522,758	\$ 1,382,059
Capital Assets, net of depreciation	8,631,651	8,939,924
Deferred Outflows of Resources	670,771	760,197
Total Assets and Deferred Outflows of Resources	10,825,180	11,082,180
Liabilities and Deferred Inflows of Resources		
Current Liabilities	384,126	495,110
Long-term Liabilities	8,480,570	8,918,008
Deferred Inflows of Resources	632,504	506,452
Total Liabilities and Deferred Inflows of Resources	9,497,200	9,919,570
Net Position		
Net Investment in Capital Assets	3,430,211	3,275,443
Restricted	453,876	204,541
Unrestricted (Deficit)	(2,556,107)	(2,317,374)
Total Net Position	\$ 1,327,980	\$ 1,162,610

Table II shows the changes in net position for the fiscal years ended June 30, 2020 and 2019.

Table II
Changes in Net Position
Years Ended June 30,

	2020	2019
Revenues		
Program Revenues		
Charges for Services	\$ 144,441	\$ 137,334
Operating Grants and Contributions	381,946	350,312
General Revenues		
Property Taxes	1,493,729	1,407,480
State Aid-Unrestricted	2,496,779	2,507,091
Interest and Miscellaneous Earnings	29,991	30,534
Total Revenues	\$ 4,546,886	\$ 4,432,751

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Management's Discussion and Analysis - Continued

Table II, continued
Changes in Net Position
Years Ended June 30,

	2020	2019
Expenses		
Regular Instruction	\$ 2,234,581	\$ 2,286,808
Special Instruction	326,202	261,018
Vocational Instruction	218,064	207,575
Pupil Services	161,999	118,252
General Administration Services	102,803	245,085
School Administration Services	182,385	151,343
Operation and Maintenance	439,014	414,202
Pupil Transportation	253,622	222,376
Student Activities	152,746	141,361
School Food Services	149,917	147,260
Community Services	60,651	28,437
Interest and Other Charges	99,532	111,422
Total Expenses	<u>4,381,516</u>	<u>4,335,139</u>
Change in Net Position	<u>\$ 165,370</u>	<u>\$ 97,612</u>

Unrestricted state aid constituted 54.9%, property tax 32.9%, operating grants and contributions 8.4%, and charges for services 3.2% of the total revenues of governmental activities of the District for the fiscal year ended June 30, 2020.

Regular instruction constituted 51.0%, operation and maintenance 10.0%, special instruction 7.4%, and pupil transportation 5.8% of total expenses for governmental activities during the fiscal year ended June 30, 2020.

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

Table III
Total and Net Cost of Services
Years Ended June 30,

	Total Cost		Net Cost	
	2020	2019	2020	2019
Regular Instruction	\$ 2,234,581	\$ 2,286,808	\$ 2,071,569	\$ 2,162,729
Special Instruction	326,202	261,018	326,202	261,018
Vocational Instruction	218,064	207,575	210,831	207,575
Pupil Services	161,999	118,252	161,999	118,252
General Administration Services	102,803	245,085	102,803	245,085
School Administration Services	182,385	151,343	182,385	151,343
Operation and Maintenance	439,014	414,202	439,014	414,202
Pupil Transportation	253,622	222,376	55,721	11,970
Student Activities	152,746	141,361	152,746	141,361
School Food Services	149,917	147,260	(8,324)	(5,901)
Community Services	60,651	28,437	60,651	28,437
Interest and Other Charges	99,532	111,422	99,532	111,422
Total Expenses	<u>\$ 4,381,516</u>	<u>\$ 4,335,139</u>	<u>\$ 3,855,129</u>	<u>\$ 3,847,493</u>

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Management's Discussion and Analysis - Continued

Financial Analysis of the Governmental Funds

The purpose of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unreserved fund balance generally can be used as a measure of the District's net resources available for spending as of the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting.

The District's governmental funds had total revenue of \$4,531,414 and expenditures of \$4,415,257 for the fiscal year ended June 30, 2020. The unassigned fund balance of the District's general fund was \$978,715.

General Fund Budgetary Highlights

During the year, revenues were more than budgetary estimates by \$2,479, expenditures were less than budgetary estimates by \$50,975 and ending fund balance was more than budgetary estimates by \$53,454.

Additional information on the Richland Public School District No. 44 budget can be found in Note 2 of the audited financial statements that follow this analysis.

Capital Assets

As of June 30, 2020, the Richland Public School District No. 44 had \$8,631,651 invested in capital assets. Table IV shows the balances at June 30, 2020 and 2019.

Table IV
Capital Assets
(Net of Accumulated Depreciation)
Years Ended June 30,

	2020	2019
Land	\$ 92,000	\$ 92,000
Buildings and Improvements	8,454,224	8,732,806
Vehicles	85,427	113,164
Equipment	-	1,954
Total Capital Assets	<u>\$ 8,631,651</u>	<u>\$ 8,939,924</u>

This total represents a net decrease of \$308,273 in capital assets from the prior fiscal year. For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 7 of the audited financial statements that follow this analysis.

Debt Administration

As of June 30, 2020, the Richland Public School District No. 44 had \$5,201,440 of total debt, a net decrease of \$463,041 from the previous fiscal year.

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Management's Discussion and Analysis - Continued

Table V
Outstanding Debt
Years Ended June 30,

	Total Outstanding		Due Within One Year	
	2020	2019	2020	2019
General Obligation Bonds Payable	\$ 2,315,000	\$ 2,570,000	\$ 135,000	\$ 255,000
State School Construction Bonds Payable	2,886,440	3,094,481	209,006	206,937
Total	<u>\$ 5,201,440</u>	<u>\$ 5,664,481</u>	<u>\$ 344,006</u>	<u>\$ 461,937</u>

For additional information regarding the outstanding debt, readers are referred to Note 8 of the audited financial statements that follow this analysis.

For the Future

With COVID-19 still a huge concern, the 2020-2021 school year is full of uncertainties. CARES funds have been awarded to the district to use for COVID specific items. With the possibility at any point for a need to shut down and return to distance learning, technology is a huge priority. District enrollment continues to remain steady and several new houses are being built in our communities. As shared with our patrons, the board will again look to keep the mill number the same and stay at 62 general fund mills.

Contacting the Districts Financial Management

This financial report is designed to provide our parents, taxpayers and creditors with a general overview of the Richland Public School District No. 44's finances and to show the District's accountability for the money it receives to provide the best possible education to all students enrolled in Richland Public School District No. 44. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact Kendra Dockter at 101 Main Street, Colfax, North Dakota, 58018, 701-372-3713.

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Colfax, North Dakota

STATEMENT OF NET POSITION
June 30, 2020

ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 1,433,827
Accounts Receivable	18,407
Due from County	1,599
Taxes Receivable	68,925
Total Current Assets	1,522,758
Capital Assets	
Non-depreciable	
Land	92,000
Depreciable, net of accumulated depreciation	
Buildings and Improvements	8,454,224
Vehicles	85,427
Total Capital Assets	8,631,651
Total Assets	10,154,409
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pension and OPEB	670,771
Total Assets and Deferred Outflows of Resources	10,825,180
LIABILITIES	
Current Liabilities	
Accounts Payable	9,157
Interest Payable	30,963
Current Portion of Long-term Debt	
General Obligation Bonds Payable	135,000
State School Construction Bonds Payable	209,006
Total Current Liabilities	384,126
Due After One Year	
General Obligation Bonds Payable	2,180,000
State School Construction Bonds Payable	2,677,434
Compensated Absences	59,967
Pension and OPEB Liability	3,563,169
Total Long-term Liabilities	8,480,570
Total Liabilities	8,864,696
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions and OPEB	632,504
Total Liabilities and Deferred Inflows of Resources	9,497,200
NET POSITION	
Net Investment in Capital Assets	3,430,211
Restricted	453,876
Unrestricted (Deficit)	(2,556,107)
Total Net Position	\$ 1,327,980

See Notes to Financial Statements

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Colfax, North Dakota

STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Regular Instruction	\$ 2,234,581	\$ 61,754	\$ 101,258	\$ (2,071,569)
Special Instruction	326,202	-	-	(326,202)
Vocational Instruction	218,064	-	7,233	(210,831)
Pupil Services	161,999	-	-	(161,999)
General Administration Services	102,803	-	-	(102,803)
School Administration Services	182,385	-	-	(182,385)
Operation and Maintenance	439,014	-	-	(439,014)
Pupil Transportation	253,622	-	197,901	(55,721)
Student Activities	152,746	-	-	(152,746)
School Food Services	149,917	82,687	75,554	8,324
Community Services	60,651	-	-	(60,651)
Interest and Other Charges	99,532	-	-	(99,532)
	<u>\$ 4,381,516</u>	<u>\$ 144,441</u>	<u>\$ 381,946</u>	(3,855,129)
General Revenues				
Taxes				
				816,159
				553,268
				124,302
				2,496,779
				15,762
				14,229
				<u>4,020,499</u>
				165,370
				<u>1,162,610</u>
				<u>\$ 1,327,980</u>

See Notes to Financial Statements

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Colfax, North Dakota

BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2020

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Debt Service	Capital Projects		
ASSETS					
Cash and Cash Equivalents	\$ 968,632	\$ 78,733	\$ 226,086	\$ 160,376	\$ 1,433,827
Accounts Receivable	18,407	-	-	-	18,407
Due from County	833	598	134	34	1,599
Taxes Receivable	35,785	25,959	5,779	1,402	68,925
Total Assets	1,023,657	105,290	231,999	161,812	1,522,758
LIABILITIES					
Accounts Payable	9,157	-	-	-	9,157
Total Liabilities	9,157	-	-	-	9,157
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	35,785	25,959	5,779	1,402	68,925
Total Deferred Inflows of Resources	35,785	25,959	5,779	1,402	68,925
FUND BALANCE					
Restricted	-	79,331	226,220	146,148	451,699
Assigned	-	-	-	14,262	14,262
Unassigned	978,715	-	-	-	978,715
Fund Balance	978,715	79,331	226,220	160,410	1,444,676
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 1,023,657	\$ 105,290	\$ 231,999	\$ 161,812	\$ 1,522,758

See Notes to Financial Statements

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Colfax, North Dakota

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2020**

Total Fund Balance - Governmental Funds		\$ 1,444,676
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	14,284,322	
Less Accumulated Depreciation	<u>(5,652,671)</u>	
Net Capital Assets		8,631,651
Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the funds.		
		68,925
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.		
Interest Payable	(30,963)	
Compensated Absences	(59,967)	
General Obligation Bonds Payable	(2,315,000)	
State School Construction Bonds Payable	(2,886,440)	
Pension Liability (net of related outflows and inflows)	<u>(3,524,902)</u>	
Total Long-term Liabilities		<u>(8,817,272)</u>
Total Net Position of Governmental Activities		<u>\$ 1,327,980</u>

See Notes to Financial Statements

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Colfax, North Dakota

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – GOVERNMENTAL FUNDS
Year Ended June 30, 2020

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Debt Service	Capital Projects		
REVENUES					
Local Sources	\$ 838,336	\$ 548,098	\$ 122,943	\$ 113,321	\$ 1,622,698
State Sources	2,707,549	-	-	1,739	2,709,288
Federal Sources	95,622	-	-	73,815	169,437
Interest Income	15,760	-	-	2	15,762
Miscellaneous Income	12,229	-	1,000	1,000	14,229
Total Revenues	3,669,496	548,098	123,943	189,877	4,531,414
EXPENDITURES					
Current					
Regular Instruction	1,860,160	-	-	-	1,860,160
Special Instruction	325,701	-	-	-	325,701
Vocational Instruction	214,812	-	-	-	214,812
Pupil Services	161,999	-	-	-	161,999
General Administration Services	101,937	-	-	-	101,937
School Administration Services	182,385	-	-	-	182,385
Operation and Maintenance	395,331	-	43,683	-	439,014
Pupil Transportation	218,565	-	-	-	218,565
Student Activities	138,484	-	-	-	138,484
School Food Services	-	-	-	146,853	146,853
Community Services	60,651	-	-	-	60,651
Debt Service					
Principal	-	463,041	-	-	463,041
Interest and Other Charges	-	101,655	-	-	101,655
Total Expenditures	3,660,025	564,696	43,683	146,853	4,415,257
Exces (Deficiency) of Revenues over Expenditures	9,471	(16,598)	80,260	43,024	116,157
FUND BALANCE, BEGINNING OF YEAR	969,244	95,929	145,960	117,386	1,328,519
FUND BALANCE, END OF YEAR	\$ 978,715	\$ 79,331	\$ 226,220	\$ 160,410	\$ 1,444,676

See Notes to Financial Statements

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Colfax, North Dakota

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**
Year Ended June 30, 2020

Net Change in Fund Balance - Total Governmental Funds		\$ 116,157
<p>The change in net position reported for governmental activities in the statement of activities is different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets with a cost greater than \$5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year.</p>		
		(308,273)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.</p>		
Net Increase in Compensated Absences	(5,898)	
Net Increase in Pension Liability	(117,252)	
Net Decrease in Interest Payable	2,123	
	<u> </u>	(121,027)
<p>Repayment of debt principal and other long-term liabilities is an expenditure in the governmental fund financial statements, but repayment reduces long-term liabilities in the statement of net position.</p>		
		463,041
<p>Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of an increase in taxes receivable.</p>		
		<u>15,472</u>
Change in Net Position of Governmental Activities		<u>\$ 165,370</u>

See Notes to Financial Statements

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Colfax, North Dakota

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUNDS
June 30, 2020

	<u>Agency Funds</u>
Assets	
Cash and Investments	\$ 110,817
Accounts Receivable	<u>1,323</u>
Total Assets	112,140
Liabilities	
Due to Groups	<u>112,140</u>
Total Liabilities	<u><u>\$ 112,140</u></u>

See Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Richland Public School District No. 44, Colfax, North Dakota (the District) have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The accompanying financial statements present the activities of the Richland Public School District No. 44. The District has considered all potential component units for which the District is financially accountable and other organizations for which the nature and significance of their relationships with the District such that exclusion would cause the District's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. This criterion includes appointing a voting majority of an organization's governing body and (1) the ability of the Richland Public School District No. 44 to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on Richland Public School District No. 44.

Based on these criteria, there are no component units to be included within the Richland Public School District No. 44 as a reporting entity.

B. Basis of Presentation, Basis of Accounting

Government-wide statements - The statement of net position and the statement of activities display information about the primary government (Richland Public School District No. 44). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, fees and other non-exchange transactions. The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund financial statements - The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the district-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

1. *General Fund* – The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. *Debt Service Fund* – Used to account for the accumulation of resources for, and payment of, general obligation bond principal, interest, and related costs.
3. *Capital Projects Fund* – Used to account for financial resources related to capital outlays made by the District.

Additionally, the District reports the following governmental fund types that are included in non-major funds:

1. Governmental Funds

- a. *Special Reserve Fund* – Used to account for resources restricted to, or designated for, specific purposes by the District.
- b. *Food Service Fund* – Used to account for food service revenues and expenditures.

2. Fiduciary Funds

- a. *Agency Funds* – Used to account for resources held for others in a custodial capacity, the District's Agency Fund is the Student Activity Fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts. Cash equivalents on the statement of cash flows consist of certificates of deposit with a maturity of three months or less. Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the uninsured balance.

E. Capital Assets

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

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

<u>Assets</u>	<u>Years</u>
Building	50
Playground equipment/parking lot	25
School busses	10
Other vehicles	10
Office equipment	8 - 10
Other equipment	8

F. Vacation Pay, Sick Pay, Severance

The expenditures for vacation pay are recognized when payment is made. Employees are not allowed to carryover unused vacation days. Upon termination of employment with the District, a certified employee will be entitled to sick pay reimbursement at the rate of \$60 per day, for a maximum of 90 days unused, accumulated sick leave. A certified employee will also be entitled to personal leave reimbursement at the rate of \$60 per day, for a maximum of eight days of unused, accumulated personal leave. Sick pay for non-certified employees is \$30 per day up to three days unused. There is no personal leave reimbursement for non-certified employees.

G. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the government activities statement of net position. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material. In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

H. Pension Plans

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

I. Fund Balance and Net Position

GASB Statement No. 54 established new fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restriction or limitations) imposed upon the use of the resources reported in governmental funds.

Fund Balance Spending Policy:

It is the policy of the Richland Public School District No. 44 to spend restricted resources first, followed by unrestricted resources. It is also the policy of the Board to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

Budget Stabilization Policy:

Replenishing deficiencies - when fund balance falls below the minimum 10 percent range, the District will replenish shortages/deficiencies using the budget strategies and time frames described as follows:

The following budgetary strategies shall be utilized by the District to replenish funding deficiencies:

- The District will reduce recurring expenditures to eliminate any structural deficit; or
- The District will increase revenues or pursue funding sources; or
- Some combination of the two operations above.

GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions

GASB Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions” provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints and the purpose for which resources can be used:

<u>CLASSIFICATION</u>	<u>DEFINITION</u>	<u>EXAMPLES</u>
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables, endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Notes to Financial Statements – Continued

<u>CLASSIFICATION</u>	<u>DEFINITION</u>	<u>EXAMPLES</u>
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the School Board. Formal action is required to be taken to establish, modify, or rescind a fund balance commitment.	By board action, construction claims and judgements, retirements of loans and notes payable, capital expenditures, and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the business manager.	By board action, construction claims and judgements, retirements of loans and notes payable, capital expenditures, and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is a fund balance that has not been reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.	Available for any remaining general fund expenditure.

Restricted Fund Balance

1. Special Revenue Fund
 - a. Fund used for special uses as restricted by state law. In accordance with NDCC 57-19-01, the ending fund balance is limited to the amount generated by fifteen (15) mills times the taxable valuation of the District. Restricted by enabling legislation and tax levy.
2. Debt Service Fund
 - a. Fund used for the payment of principal and interest. Restricted by enabling legislation, tax levy, and bond indenture.
3. Capital Projects Fund
 - a. Fund used for capital asset acquisition or expenditure. Restricted by enabling legislation, tax levy, and bond indenture.

Assigned Fund Balance

1. Food Service Fund
 - a. Restricted state and federal resources are spent first and reimbursed by each year-end. Any remaining fund balance is normally left in the food service fund at each year-end, but may be spent at the discretion of the business manager (authority given from the governing board). Assigned by federal and state reimbursements for free and reduced meals and grants.

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Notes to Financial Statements – Continued

Unassigned Fund Balance

1. General Fund
 - a. Consists of the amount reported in the General Fund at year-end.

Net Position

The District implemented the provisions of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position during the year ended June 30, 2013.

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

Net Investment in capital assets is reported for capital assets less accumulated depreciation and any related debt used to construct them. The resources needed to repay this related debt must be provided from other sources, since capital assets are not used to liquidate these liabilities. These assets are not available for future spending.

Restrictions of net position, shown in the Statement of Net Position, are due to restricted tax levies and bond indenture capital construction requirements for capital projects and special purposes. Unrestricted net position is primarily unrestricted amounts related to the general fund and any negative fund balances. The unrestricted net position is available to meet the District's ongoing obligations.

J. Interfund Transactions

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

All other interfund transactions, except reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. In the government-wide financial statements, interfund transactions have been eliminated.

NOTE 2 – LEGAL COMPLIANCE – BUDGETS

Expenditures over Appropriations – General fund expenditures were less than appropriations by \$50,975 for the year ended June 30, 2020. Expenditures for school administration and pupil transportation were less than budgeted amounts during the fiscal year.

NOTE 3 – DEPOSITS AND INVESTMENTS

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

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

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the State of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board. At year end June 30, 2020, the District's carrying amounts of deposits was \$1,544,644 and the bank balances were \$1,843,703. Of the bank balances, \$250,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with an irrevocable standby letter of credit held by the pledging financial institution's agent in the District's name.

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Notes to Financial Statements – Continued

Credit Risk:

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

1. Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by the Treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.
2. Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
3. Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation.
4. Obligations of the state.

As of June 30, 2020, the District held no certificates of deposit.

Interest Rate Risk:

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

Concentration of Credit Risk:

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

NOTE 4 – TAXES RECEIVABLE

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

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

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

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

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts for accrued interest and amounts on open account from other school districts and organizations for goods and services furnished by the District. No allowance has been established for uncollectible accounts.

NOTE 6 – DUE FROM COUNTY

Due from county represents the amount of taxes collected prior to year-end that are distributed to the District shortly after June 30, 2020.

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Notes to Financial Statements – Continued

NOTE 7 – CAPITAL ASSETS

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

	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 92,000	\$ -	\$ -	\$ 92,000
Total Capital Assets, not being depreciated	92,000	-	-	92,000
Capital Assets, being depreciated				
Buildings and Improvements	13,355,361	-	-	13,355,361
Vehicles	730,317	-	-	730,317
Equipment	106,644	-	-	106,644
Total Capital Assets, being depreciated	14,192,322	-	-	14,192,322
Less Accumulated Depreciation for:				
Buildings and Improvements	4,622,555	278,582	-	4,901,137
Vehicles	617,153	27,737	-	644,890
Equipment	104,690	1,954	-	106,644
Total Accumulated Depreciation	5,344,398	308,273	-	5,652,671
Total Capital Assets Being Depreciated, net	8,847,924	(308,273)	-	8,539,651
Governmental Activities Capital Assets, net	\$ 8,939,924	\$ (308,273)	\$ -	\$ 8,631,651

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

Governmental Activities:	
Regular Instruction	\$ 251,271
Special Instruction	501
Vocational Instruction	3,252
General Administration Services	866
Pupil Transportation	35,057
Student Activities	14,262
School Food Services	3,064
Total Depreciation Expense - Governmental Activities	<u>\$ 308,273</u>

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Notes to Financial Statements – Continued

NOTE 8 – LONG-TERM LIABILITIES

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

	Long-term Liabilities at July 1, 2019	Increases	Decreases	Long-term Liabilities at June 30, 2020	Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	\$ 2,570,000	\$ -	\$ (255,000)	\$ 2,315,000	\$ 135,000
State School Construction Bonds Payable	3,094,481	-	(208,041)	2,886,440	209,006
Compensated Absences*	54,069	5,898	-	59,967	-
Pension and OPEB Liability*	3,661,395	-	(98,226)	3,563,169	-
Total - Governmental Activities	<u>\$ 9,379,945</u>	<u>\$ 5,898</u>	<u>\$ (561,267)</u>	<u>\$ 8,824,576</u>	<u>\$ 344,006</u>

*The change in compensated absences and pension and OPEB liability is shown as a net change because changes in salary prohibit exact calculations of additions and reductions.

Outstanding debt at June 30, 2020, are comprised of the following individual issues:

1. ND State Construction Bonds, Series 2013 - From an original issuance of \$4,292,740 at an interest rate of 1.00%, \$2,886,440 remains outstanding. The principal and interest are payable through June 1, 2033.
2. General Obligation Refunding Bonds, Series 2013A - From an original issuance of \$1,605,000, at rates of 3.00% - 4.00%, \$1,605,000 remains outstanding. The principal and interest are payable through August 1, 2033.
3. General Obligation Refunding Bonds, Series 2016 - From an original issuance of \$1,100,000 at rates of 1.20% - 1.40%, \$710,000 remains outstanding. Principal and interest are payable through August 1, 2023.

The debt service requirements are as follows:

ND State Construction Bonds, Series 2013				
(Dated August 1, 2013, Due annually to June 1, 2033)				
(Interest paid annually on June 1st)				
Year Ending June 30,	Rate	Principal	Interest	Payment
2021	1.00%	\$ 209,006	\$ 28,862	\$ 237,868
2022	1.00%	211,096	26,772	237,868
2023	1.00%	213,207	24,661	237,868
2024	1.00%	215,339	22,529	237,868
2025	1.00%	217,493	20,376	237,869
2026-2030	1.00%	1,120,526	68,818	1,189,344
2031-2033	1.00%	699,773	14,037	713,810
Totals		<u>\$ 2,886,440</u>	<u>\$ 206,055</u>	<u>\$ 3,092,495</u>

The bonds are subject to prior redemption on any date at a price of par plus accrued interest.

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Notes to Financial Statements – Continued

General Obligation Bonds Payable, Series 2013A
(Dated September 10, 2013, Due serially to August 1, 2033)
(Interest paid semiannually on August and February 1)

<u>Year Ending June 30,</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2021	3.00%	\$ -	\$ 59,237	\$ 59,237
2022	3.00%	-	59,237	59,237
2023	3.00%	-	59,237	59,237
2024	3.00%	-	59,237	59,237
2025	3.00%	140,000	57,138	197,138
2026-2030	3.10 - 3.70%	750,000	214,239	964,239
2031-2034	4.00%	715,000	58,496	773,496
Totals		<u>\$ 1,605,000</u>	<u>\$ 566,821</u>	<u>\$ 2,171,821</u>

The bonds are subject to optional redemption on August 2, 2021 and any date thereafter at a price of par plus accrued interest to the redemption date. See Note 17 for additional information about refinancing.

General Obligation Bonds Payable, Series 2016
(Dated August 1, 2016 Due serially to August 1, 2023)
(Interest paid semiannually on August and February 1)

<u>Year Ending June 30,</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2021	1.20%	\$ 135,000	\$ 8,490	\$ 143,490
2022	1.20%	185,000	6,570	191,570
2023	1.20%	195,000	4,095	199,095
2024	1.40%	195,000	1,365	196,365
Totals		<u>\$ 710,000</u>	<u>\$ 20,520</u>	<u>\$ 730,520</u>

The bonds are subject to optional redemption at a price of par plus accrued interest to the redemption date.

NOTE 9 – DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the fund financial statements consist of amounts for which asset recognition criteria have been met. Under the modified accrual basis of accounting, such amounts are measurable but not available and include taxes receivables of \$68,925. Deferred inflows of resources on the statement of net position consist of related pension expense of \$632,504.

NOTE 10 – DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources in the fund financial statements consist of amounts for which liability recognition criteria have been met, but for which expense recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. Deferred outflows of resources on the statement of net position consist of related pension expense of \$670,771.

NOTE 11 – RISK MANAGEMENT

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

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

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of \$2,000,000 per occurrence during a twelve-month period. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$1,600,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The District participates in the North Dakota Workforce Safety & Insurance and purchases commercial insurance for employee health and boiler and machinery insurance. Settled claims resulting from these above risks have not exceeded insurance coverage in any of the past three fiscal years.

The District has elected to be self-insured and retain all risk for liabilities resulting from claims of unemployment benefits. During the year ended June 30, 2020, no claims were filed for unemployment benefits.

NOTE 12 – PENSION PLANS

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.

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-Grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44**Notes to Financial Statements – Continued**

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. Re-funded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

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

At June 30, 2020, the District reported a liability of \$3,069,205 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial calculation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employees. At June 30, 2019 the District's proportion was .222850% which was an increase of .000093% from its proportion measured as of June 30, 2018. For the year ended June 30, 2020, the District recognized pension expenses of \$271,344. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,382	\$ 80,750
Changes in assumptions	109,085	-
Net difference between projected and actual investment earnings	43,203	10,265
Changes in proportion and differences between employer contributions and proportionate share of contributions	71,400	347,482
Employer contributions subsequent to the measurement date	204,430	-
Totals	<u>\$ 432,500</u>	<u>\$ 438,497</u>

\$204,430 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44**Notes to Financial Statements – Continued**

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

<u>Year ended June 30</u>	
2021	\$ 11,048
2022	(61,792)
2023	(63,658)
2024	5,744
2025	(34,794)
Thereafter	(7,310)

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 measurement:

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

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

The actuarial assumptions used were based on the results of an actuarial experience study dated April 30, 2015. They are the same as the assumptions used in the July 1, 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 8.00% to 7.75%.
- Inflation assumption lowered from 3.00% to 2.75%.
- Total salary scales 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 Fund'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%	6.90%
Global Fixed Income	23%	1.50%
Global Real Assets	18%	5.10%
Cash Equivalents	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.75% percent as of June 30, 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 July 1, 2019. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 4,144,993	\$ 3,069,205	\$ 2,175,198

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.

North Dakota Public Employees Retirement System

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

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

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

Pension Benefits

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation

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

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

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Notes to Financial Statements – Continued

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 \$464,305 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2019, the District's proportion was .039914%, which was an increase of .000310% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$84,695. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 274	\$ 84,262
Changes in assumptions	173,498	148,963
Net difference between projected and actual investment earnings	8,089	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	17,775	19,142
Employer contributions subsequent to the measurement date	<u>28,679</u>	<u>-</u>
Totals	<u>\$ 228,315</u>	<u>\$ 252,367</u>

\$28,679 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended 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:

<u>Year ended June 30</u>	
2021	\$ 8,959
2022	3,934
2023	(11,685)
2024	(40,701)
2025	(13,238)
Thereafter	-

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Notes to Financial Statements – Continued

Actuarial Assumptions

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

Inflation	2.50%		
Salary Increases	Services at Beginning of Year	State Employee	Non-State Employee
	<u>0</u>	<u>12.00%</u>	<u>15.00%</u>
	1	9.50%	10.00%
	2	7.25%	8.00%
	Age*		
	<u>Under 36</u>	<u>7.25%</u>	<u>10.00%</u>
	36-40	6.50%	7.50%
	41-49	6.25%	6.75%
	50-59	5.75%	6.50%
	60+	5.00%	5.25%

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

Investment Rate of Return 7.50%, net of investment expense

Cost-of-Living-Adjustment None

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

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

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

Discount Rate

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.31%; and the resulting Single Discount Rate is 7.50%.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of the net pension liability	\$ 665,713	\$ 464,305	\$ 295,087

Pension Plan Fiduciary Net Position

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

NOTE 13 – OTHER POST EMPLOYMENT BENEFITS

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

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

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

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

At June 30, 2020, the District reported a liability of \$29,659 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2019, the District's proportion was .036927%, which was an increase of .000026% from its proportion measures as of June 30, 2018.

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Notes to Financial Statements – Continued

For the year ended June 30, 2020 the District recognized OPEB expense of \$4,164. At June 30, 2020 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 732	\$ 927
Changes in assumptions	3,535	-
Net difference between projected and actual investment earnings	33	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,064	377
Employer contributions subsequent to the measurement date	4,592	-
Totals	\$ 9,956	\$ 1,304

\$4,592 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021.

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

<u>Year ended June 30:</u>	
2021	\$ 676
2022	676
2023	952
2024	901
2025	594
Thereafter	261

Actuarial Assumptions

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

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

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

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

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Notes to Financial Statements – Continued

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

Discount Rate

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

Sensitivity of The District’s Proportionate Share of the Net OPEB Liability to Change in the Discount Rate

The following presents the net OPEB liability of the Plans as of June 30, 2019, calculated using the discount rate of 7.25 percent, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
District's proportionate share of the net pension liability	\$ 37,856	\$ 29,659	\$ 22,643

NOTE 14 – JOINT VENTURE

The District participates in the following joint ventures:

A. South Valley Multi-District Special Education Unit

Formed for the purpose of providing special education services to the member school districts. The Co-op's governing board is composed of ten representatives from the member school districts, who are superintendents. The Board is responsible for adopting the Co-op's budget and setting service fees at a level adequate to fund the adopted budget. The District retains no equity in the net assets of the Co-op, but does have a responsibility to fund deficits of the Co-op in proportion to the relative participation described above. Separate financial statements for this joint venture are available from South Valley Multi-District Special Education Unit.

B. Southeast Region Career and Technology Center

Formed for the purpose of providing vocational services to the member school districts. The Co-op’s governing board is composed of eight representatives from the member school districts, who are school board members. The Board is responsible for adopting the Co-op’s budget and setting service fees at a level adequate to fund the adopted budget. The District retains no equity in the net assets of the Co-op, but does have a responsibility to fund deficits of the Co-op in proportion to the relative participation. Separate financial statements for this joint venture are available from Southeast Region Career and Technology Center.

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Notes to Financial Statements – Continued

NOTE 15 – NONMONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its food service program. The market value of commodities received for the year ended June 30, 2020 was \$13,847.

NOTE 16 – CONCENTRATIONS

The District receives a substantial amount of its support from federal and state governments. A significant reduction in this support may have a material effect on the District's programs and its continued operations.

NOTE 17 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through January 21, 2021, the date on which the financial statements were available to be issued.

Subsequent to year end, the General Obligation Refunding Bonds, Series 2013A were refinanced. The debt was refinance into \$1,720,000 bonds at rates of .45% - 1.65%. The future debt service requirements are as follows:

General Obligation Bonds Payable, Series 2020

(Dated October 1, 2020, Due serially to August 1, 2033)

(Interest paid semiannually on August and February 1)

<u>Year Ending June 30,</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2021	3.00%	\$ -	\$ 6,843	\$ 6,843
2022	3.00%	40,000	20,437	60,437
2023	3.00%	35,000	20,268	55,268
2024	3.00%	35,000	20,111	55,111
2025	3.00%	155,000	19,257	174,257
2026-2030	3.10 - 3.70%	790,000	72,310	862,310
2031-2034	4.00%	665,000	20,917	685,917
Totals		<u>\$ 1,720,000</u>	<u>\$ 180,143</u>	<u>\$ 1,900,143</u>

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Colfax, North Dakota

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Local Sources	\$ 855,787	\$ 855,787	\$ 838,336	\$ (17,451)
State Sources	2,715,967	2,715,967	2,707,549	(8,418)
Federal Sources	76,263	76,263	95,622	19,359
Interest Income	19,000	19,000	15,760	(3,240)
Miscellaneous Income	-	-	12,229	12,229
Total Revenues	<u>3,667,017</u>	<u>3,667,017</u>	<u>3,669,496</u>	<u>2,479</u>
EXPENDITURES				
Current				
Regular Instruction	1,865,534	1,865,534	1,860,160	5,374
Special Instruction	326,728	326,728	325,701	1,027
Vocational Instruction	219,933	219,933	214,812	5,121
Pupil Services	168,945	168,945	161,999	6,946
General Administration Services	102,930	102,930	101,937	993
School Administration Services	191,155	191,155	182,385	8,770
Operation and Maintenance	384,443	384,443	395,331	(10,888)
Pupil Transportation	240,650	240,650	218,565	22,085
Student Activities	145,600	145,600	138,484	7,116
Community Services	65,082	65,082	60,651	4,431
Total Expenditures	<u>3,711,000</u>	<u>3,711,000</u>	<u>3,660,025</u>	<u>50,975</u>
Exces (Deficiency) of Revenues over Expenditures	(43,983)	(43,983)	9,471	53,454
FUND BALANCE, BEGINNING OF YEAR			<u>969,244</u>	
FUND BALANCE, END OF YEAR			<u>\$ 978,715</u>	

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Colfax, North Dakota

PENSION SCHEDULES
Year Ended June 30, 2020

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

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.222850%	0.222757%	0.233033%	0.222947%	0.255007%	0.259458%
District's proportionate share of the net pension liability (asset)	3,069,205	2,969,035	3,200,780	3,266,307	3,335,122	2,718,660
District's covered-employee payroll	1,563,354	1,514,323	1,572,912	1,448,543	1,568,558	1,504,994
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	196.32%	196.06%	203.49%	225.49%	212.62%	180.64%
Plan fiduciary net position as a percentage of the total pension liability	65.50%	65.50%	63.20%	59.20%	62.10%	66.60%

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

	2020	2019	2018	2017	2016	2015
Statutorily required contribution	199,328	193,076	200,546	184,689	199,982	161,785
Contributions in relation to statutorily required contribution	(199,328)	(193,076)	(200,546)	(184,689)	(199,982)	(161,785)
Contribution deficiency (excess)	-	-	-	-	-	-
Employer's covered-employee payroll	1,563,354	1,514,323	1,572,912	1,448,543	1,568,558	1,504,994
Contributions as a percentage of covered-employee payroll	12.75%	12.75%	12.75%	12.75%	12.75%	10.75%

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

**The measurement date of the net pension liability is June 30th of the prior year

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Pension Schedules – Continued

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

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.039614%	0.039304%	0.037120%	0.036042%	0.042615%	0.046336%
District's proportionate share of the net pension liability (asset)	464,305	663,298	596,640	351,264	289,775	294,104
District's covered-employee payroll	412,056	403,778	378,939	363,215	379,645	390,326
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	112.68%	164.27%	157.45%	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	71.66%	62.80%	61.98%	70.46%	77.15%	77.70%

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

	2020	2019	2018	2017	2016	2015
Statutorily required contribution	30,000	29,740	27,478	26,296	28,837	27,791
Contributions in relation to statutorily required contribution	(27,409)	(29,797)	(27,034)	(27,102)	(31,143)	(27,791)
Contribution deficiency (excess)	2,591	(57)	444	(806)	(2,306)	-
Employer's covered-employee payroll	412,056	403,778	378,939	363,215	379,645	390,326
Contributions as a percentage of covered-employee payroll	6.65%	7.38%	7.13%	7.46%	8.20%	7.12%

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

**The measurement date of the net pension liability is June 30th of the prior year

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Pension Schedules – Continued

Schedule of Employer's Share of Net OPEB Liability
ND Public Employees Retirement System (PERS)
Last 10 Fiscal Years*

	2020	2019	2018
District's proportion of the net pension liability (asset)	0.036927%	0.036901%	0.035027%
District's proportionate share of the net pension liability (asset)	29,659	29,062	27,707
District's covered-employee payroll	412,056	403,778	378,939
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.20%	7.20%	7.31%
Plan fiduciary net position as a percentage of the total pension liability	63.13%	61.89%	59.78%

Schedule of Employer Contributions OPEB
ND Public Employees Retirement System (PERS)
Last 10 Fiscal Years*

	2020	2019	2018
Statutorily required contribution	4,792	4,736	4,405
Contributions in relation to statutorily required contribution	(4,389)	(4,771)	(4,329)
Contribution deficiency (excess)	403	(35)	76
Employer's covered-employee payroll	412,056	403,778	378,939
Contributions as a percentage of covered-employee payroll	1.07%	1.18%	1.14%

*Complete data for these schedules is not available prior to 2018

**The measurement date of the net pension liability is June 30th of the prior year

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

NOTE 1 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

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

- The annual budget must be prepared, and District taxes must be levied on or before the 15th day of August of each year.
- The taxes levied must be certified to the county auditor by October 10th.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the Business Manager at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- All appropriations lapse at year-end.

NOTE 2 – NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT CHANGES OF ASSUMPTIONS

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 8.00% to 7.75%.
- Inflation assumption lowered from 3.00% to 2.75%.
- Total salary scale rates lowered by .25% due to 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.

NOTE 3 – NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM CHANGES OF ASSUMPTIONS

Change of Benefit Terms

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

Changes of Assumptions

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

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

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

NOTE 4 – NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM CHANGE OF ASSUMPTIONS OPEB

Changes of Benefit Terms

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

Changes of Assumptions

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

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

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

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Colfax, North Dakota

NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEET
June 30, 2020

	<u>Special Reserve</u>	<u>Food Service</u>	<u>Total Other Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 146,114	\$ 14,262	\$ 160,376
Due from County	34	-	34
Taxes Receivable	1,402	-	1,402
	<u>147,550</u>	<u>14,262</u>	<u>161,812</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	1,402	-	1,402
	<u>1,402</u>	<u>-</u>	<u>1,402</u>
FUND BALANCE			
Restricted	146,148	-	146,148
Assigned	-	14,262	14,262
	<u>146,148</u>	<u>14,262</u>	<u>160,410</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 147,550</u>	<u>\$ 14,262</u>	<u>\$ 161,812</u>

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Colfax, North Dakota

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**
June 30, 2020

	<u>Special Reserve</u>	<u>Food Service</u>	<u>Total Other Governmental Funds</u>
REVENUES			
Local Sources	\$ 30,634	\$ 82,687	\$ 113,321
State Sources	-	1,739	1,739
Federal Sources	-	73,815	73,815
Interest Income	2	-	2
Miscellaneous Income	-	1,000	1,000
	<u>30,636</u>	<u>159,241</u>	<u>189,877</u>
EXPENDITURES			
Current			
School Food Services	-	146,853	146,853
	<u>-</u>	<u>146,853</u>	<u>146,853</u>
Total Expenditures	-	146,853	146,853
	<u>-</u>	<u>146,853</u>	<u>146,853</u>
Excess of Revenues over Expenditures	30,636	12,388	43,024
NET CHANGE IN FUND BALANCE	30,636	12,388	43,024
FUND BALANCE, BEGINNING OF YEAR	115,512	1,874	117,386
	<u>115,512</u>	<u>1,874</u>	<u>117,386</u>
FUND BALANCE, END OF YEAR	\$ 146,148	\$ 14,262	\$ 160,410
	<u>\$ 146,148</u>	<u>\$ 14,262</u>	<u>\$ 160,410</u>

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Colfax, North Dakota

SCHEDULE OF RECEIPTS AND DISBURSEMENTS – ACTIVITY FUND
June 30, 2020

Account	Balance July 1, 2019	Deposits and Transfers In	Withdrawals and Transfers Out	Balance June 30, 2020
Clay Target League	\$ 2,269	\$ 1,000	\$ (1,831)	\$ 1,438
Coffee Shop	-	634	(762)	(128)
Seniors	2,900	4,118	(7,018)	-
FCCLA	931	3,168	(2,804)	1,295
Juvenile Justice	1,606	60	(480)	1,186
Class of 2022	50	-	-	50
Fitness Center	11,372	2,340	(1,137)	12,575
School Paper	2,633	360	(110)	2,883
Student Council	6,203	920	(4,519)	2,604
Activity Account	(5,546)	8,754	(2,881)	327
Close-Up	43,982	55,431	(55,811)	43,602
JHGBB	-	2,774	(2,774)	-
Tournaments	25	1,167	(1,192)	-
High School	3,594	650	-	4,244
Girls Basketball	(170)	170	-	-
Yearbook	5,330	10,074	(11,830)	3,574
Football	16	895	(910)	1
Athletic Fund	(8,001)	33,976	(31,414)	(5,439)
Elementary	6,156	4,678	(6,198)	4,636
PB&J	1,147	1,160	-	2,307
School Store	(2,189)	5,910	(5,873)	(2,152)
Freshmen	50	-	-	50
Scoreboard	10,133	4,900	-	15,033
Juniors	4,114	13,632	(9,625)	8,121
Tech Fee	7,565	3,820	-	11,385
Volleyball	1,986	3,168	(2,892)	2,262
Reserve	1,250	-	(1,223)	27
X-Country	686	3,115	(1,542)	2,259
Totals	\$ 98,092	\$ 166,874	\$ (152,826)	\$ 112,140



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

School Board
Richland Public School District No. 44
Colfax, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to finance 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 Richland Public School District No. 44, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the Richland Public School District No. 44's basic financial statements, and have issued our report thereon dated January 21, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Richland Public School District No. 44's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Richland Public School District No. 44's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses (2020-001 and 2020-002).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Richland Public School District No. 44'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 these 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*.

District's Response to Findings

Richland Public School District No. 44's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Richland Public School District No. 44's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Nadine Julson, LLC
Wahpeton, North Dakota
January 21, 2021

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Colfax, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Report Issued: Unmodified

Internal Control Over Financial Reporting

Material weakness identified?	X	Yes			No
Significant deficiencies identified not considered to be material weaknesses?		Yes		X	None reported
Noncompliance material to financial statements noted?		Yes		X	No

SECTION II - FINANCIAL STATEMENT FINDINGS

2020-001 LACK OF SEGREGATION OF DUTIES

Criteria

An appropriate system of internal controls has the proper segregation of duties between authorization, custody, record keeping, and reconciliation functions.

Condition

Proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel, so duties of employees are properly segregated. More segregation of duties would provide better control over the assets of the District.

Effect

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the District's financial condition whether due to error or fraud.

Recommendation

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

Views of Responsible Officials

There is no disagreement with the audit finding and we understand that this will be a repeated recommendation due to the limited amount of resources of the District.

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Schedule of Findings and Questioned Costs - Continued

2020-002 MATERIAL JOURNAL ENTRIES

Criteria

A good system of internal accounting control contemplates an adequate system for the preparation of the financial statements, including recording government wide journal entries in order to reconcile from the fund financials to the government wide financials and ensuring all general ledger accounts are properly reflected on a GAAP basis.

Condition

The District does not have an internal control system designed to provide for the preparation of the financial statements being audited, including recording government wide journal entries. As auditors, we were requested to draft the financial statements, which include proposing government wide journal entries, and drafting the accompanying notes to the financial statements.

Effect

Inadequate controls over financial reporting of the District results in more than a remote likelihood that the District would not be able to draft the financial statements and accompanying notes to financial statements that are materially correct without the assistance of the auditors.

Recommendation

It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials

There is no disagreement with the audit finding and we understand that this will be a repeated recommendation due to the limited amount of resources of the District.

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Colfax, North Dakota

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2020

Prior Financial Statement Findings:

2019-001

A material weakness was reported for a lack of segregation of duties.

Corrective Action Plan

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements. This material weakness continues to exist under the current audit findings as finding number 2020-001.

2019-002

A material weakness was reported for material journal entries.

Corrective Action Plan

The accounting functions should be reviewed to determine if it is feasible for the District to prepare its own financial statements. This material weakness continues to exist under the current audit findings as number 2020-002.