

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

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2021

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**LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46**  
**MARION, NORTH DAKOTA**  
**ROSTER OF SCHOOL OFFICIALS**  
**AT JUNE 30, 2021**

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

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Litchville-Marion Public School District No. 46 as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects the respective financial position of the governmental activities and each major fund of the Litchville-Marion Public School District No. 46, as of June 30, 2021, 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.

## **Emphasis of Matter**

As described in Note 11 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. As discussed in Note 11 to the financial statements, the District has restated the previously reported Net Position in accordance with this statement. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of District's proportionate share of the net pension liability, schedule of District's contributions to the TFFR pension plan, and the notes to the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2021 on our consideration of the Litchville-Marion Public School District No. 46's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Litchville-Marion Public School District No. 46's internal control over financial reporting and compliance.



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

September 27, 2021

**LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46**  
**MARION, NORTH DAKOTA**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021

As management of the Litchville-Marion Public School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The General Fund had \$3,104,348 in revenue and \$2,905,358 in expenditures.
- The ending General Fund balance for the District on June 30, 2021 was \$858,490.
- The ending General Fund cash balance for the District on June 30, 2021 was \$686,382.
- The food service fund had revenues of \$142,473 and expenditures of \$119,437.
- The student activity fund had revenues of \$50,696 and expenditures of \$46,405.
- The District holds in trust \$237,658; the interest earned from this trust is paid out in scholarships. General fund certificates of deposit total \$100,000.
- The District continues to improve the design and operation of internal control systems by implementing proper separation of duties for office personnel. This provides for proper checks and balances within the financial accounting system.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

Government-Wide Financial Statements

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

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

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

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

**LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46**  
**MARION, NORTH DAKOTA**  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2021

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all North Dakota public school districts. Our District is utilizing the RDA administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be categorized as governmental funds. Governmental funds consist of the general fund (including jeans scholarship fund and flex fund), food service fund, permanent fund and student activity fund.

Notes to the Financial Statements

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$8,438 as of June 30, 2021.

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

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



**LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46**  
**MARION, NORTH DAKOTA**  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2021

**Net Position for the period ended June 30, 2021 and 2020**

The District has provided a table below that consists of net position for the years ended June 30, 2021 and 2020.

	<u>6/30/2021</u>	<u>6/30/2020</u>
<b>ASSETS</b>		
Cash	\$ 764,147	\$ 552,537
Investments	337,658	337,658
Federal Receivables	71,424	-
Property Taxes Receivable	36,263	54,011
Due from Employees	684	841
Total Current Assets	<u>1,210,176</u>	<u>945,047</u>
Capital Assets		
Land	70,724	70,724
Construction in Progress	-	137,727
Buildings	1,220,506	1,027,868
Vehicles and Equipment	132,570	95,694
Less: Accumulated Depreciation	<u>(948,801)</u>	<u>(923,885)</u>
Total Capital Assets, Net of Depreciation	<u>474,999</u>	<u>408,128</u>
<b>TOTAL ASSETS</b>	<u>1,685,175</u>	<u>1,353,175</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Cost Sharing Defined Benefit Pension Plan-TFFR	<u>348,140</u>	<u>243,389</u>
<b>LIABILITIES</b>		
Vehicle Loan Payable Due Within One Year	-	12,161
Total Current Liabilities	<u>-</u>	<u>12,161</u>
Long-Term Liabilities		
Vehicle Loan Payable	-	12,805
Net Pension Liability	1,812,812	1,653,372
Total Non-Current Liabilities	<u>1,812,812</u>	<u>1,666,177</u>
<b>TOTAL LIABILITIES</b>	<u>1,812,812</u>	<u>1,678,338</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Cost Sharing Defined Benefit Pension Plan-TFFR	<u>212,065</u>	<u>227,146</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	474,999	383,162
Restricted - Nonexpendable	237,658	237,658
Restricted - Student Activities	50,793	-
Restricted - Scholarships	2,707	1,164
Restricted - Employee Flexible Spending	8,538	-
Unrestricted (Deficit)	<u>(766,257)</u>	<u>(930,904)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 8,438</u>	<u>\$ (308,920)</u>

**LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46**  
**MARION, NORTH DAKOTA**  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2021

The following presents comparative changes in net position for the years ended June 30, 2021 and 2020:

	<u>6/30/21</u>	<u>6/30/20</u>
<b>REVENUES</b>		
Charges for services	\$ 78,923	\$ 50,130
Operating grants and contributions	1,848,152	1,564,323
Property taxes	1,221,531	1,215,706
Other income	128,728	151,412
Gain on sale of capital assets	-	401
Interest income	4,041	11,316
<b>TOTAL REVENUES</b>	<u>3,281,375</u>	<u>2,993,288</u>
<b>EXPENSES</b>		
Regular instruction	1,700,883	1,356,437
Special education	247,199	266,403
Vocational education	67,864	62,982
Administrative and library	280,002	282,193
Transportation	247,268	199,062
Operation and maintenance	244,993	384,311
Student activities	112,155	68,387
School food services	119,437	132,886
Interest expense	1,412	1,938
<b>TOTAL EXPENSES</b>	<u>3,021,213</u>	<u>2,754,599</u>
<b>CHANGE IN NET POSITION</b>	260,162	238,689
<b>NET POSITION - BEGINNING</b>	<u>(308,920)</u>	<u>(547,609)</u>
<b>GASB 84 Adjustment - See Note 11</b>	<u>57,196</u>	<u>-</u>
<b>Net Position-Beginning as Restated</b>	<u>(251,724)</u>	<u>(547,609)</u>
<b>NET POSITION - ENDING</b>	<u>\$ 8,438</u>	<u>\$ (308,920)</u>

**Capital Assets**

During the year ended June 30, 2021, the District acquired \$91,787 and disposed \$0 of capital assets and as of June 30, 2021 the District had \$474,999 invested in capital assets (See Note 3 for details).

**Long-Term Liabilities**

During the year ended June 30, 2021, the District paid \$24,966 of principal on long-term debt and as of June 30, 2021 the District had \$0 of remaining long-term debt (See Note 5 for details).

**LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46**  
**MARION, NORTH DAKOTA**  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2021

**Comments on General Fund Budgetary Comparison**

- The District's general fund revenues for the fiscal year ended June 30, 2021 were \$3,104,348.
- General fund actual revenues were lower than budgeted revenues by \$657,446.
- The District's general fund expenditures for the fiscal year ended June 30, 2021 were \$2,905,358.
- General fund budgeted expenses were lower than actual expenditures by \$831,712.
- General fund budget expenditures to actual varied slightly but compared reasonably to the budgeted amounts as anticipated.

**Instructional Expenditures**

Instructional expenditures account for approximately \$1,976,338 or 68% of total general fund expenditures. Regular instruction accounts for 84% of the instructional expenditures. Special education and federal programs account for 13% and vocational programs account for 3% of the instructional expenditures.

**Non-Instructional Expenditures**

Non-Instructional or central support services expenditures account for approximately \$929,020 or 32% of total general fund expenditures. Non-instructional expenditures consist of transportation (including repairs, fuel, supplies, and drivers), maintenance & operations (including utilities, repairs, insurance, supplies, electricity, heating oil, equipment and custodians), administration and library (including unemployment, worker's comp, contracted services, communications, board, library, exec. administration and office staff expenses), student activities, food services and debt service.

**BUDGETARY IMPLICATIONS**

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

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

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

The District's Title Federal Funds remained about the same. Reallocated funds were not received this fiscal year. Title II funds were used for Professional Development for both Certified and Non-Certified staff.

The District's certified staff's salaries have been lowered the last couple of years with retirements of veteran teachers and hiring of teachers with less experience. The District continues to maintain a younger staff; some are furthering their education to obtain master's degrees. When this is complete, their salaries will take a bigger jump. The District is fortunate to be able to entice younger teachers to the District. Part of this is due to our benefit package which is higher than a lot of districts in the surrounding area.

**LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46**  
**MARION, NORTH DAKOTA**  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2021

Building upkeep is always on the District's agenda, maintaining two buildings can be costly. Every effort is made to stay on top of upkeep and projects coming up. Both the high school and elementary buildings have had major roof repairs completed, room renovations and general maintenance. Discussions have been opened of building needs and whether to remodel or build. Ciavarella Design of Mitchell, South Dakota has started on a study based on both buildings what the best options or alternatives will be for the District.

The District continues to have a part-time Superintendent, an elementary part time principal/tech coordinator and high school part time principal/teacher. This is a good mix for the District currently, keeping some administration costs lower. Administrators are always busy, between student, teacher contact, meetings and activities to attend.

The District continues to contract most of its transportation needs out. The purchase of the small bus has helped cut costs for activity transportation, field trips and meeting attendance by several staff members. The bus company that the District contracts through is having a tough time filling bus driver positions and the transportation committee is always looking at ways to make this better and to obtain more bus drivers.

Two food service programs are utilized and in the last year staffing has been shuffled around with custodians filling in to help, which has brought the cost of salaries/benefits down in that area. The food service account saw a positive year end, without a transfer from the general fund due to the Emergency Summer Food Program (ESFP) as all meals were paid for through State programs.

The effects of COVID-19 carried into fiscal year 2021. Precautions and masks were utilized in the fall of 2020 and into 2021 with some of these precautions becoming a constant normal process. Some students and adults became close contacts and were out of school for the time they needed. During this time, students were taught online and the education process carried on.

2020-2021 saw ESSER funds allotted to the District. Funding for ESSER I funds was as follows: ESSER 104 \$48,116 ESSER 105 Care Ed Corp \$56,717; ESSER 106 Broadband \$820; of which all these funds were spent except for 106 broadband which \$80 was spent, as this was based on internet need for students being home due to COVID restrictions. ESSER I funds were used for additional busing shuttles, custodian staff, heavy duty vacuums, steamers, cleaning and precaution supplies, additional Chromebooks for students and more. ESSER II & III awards were awarded in the spring of 2021. The District will receive \$221,435 in ESSER II funding and \$497,311 in ESSER III funding. Much of these awards will be used for equipment needs and additional staff salary.

### **Contacting the District's Financial Management**

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

**LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46**  
**MARION, NORTH DAKOTA**  
STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES  
JUNE 30, 2021

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash	\$ 764,147
Investments	337,658
Federal Receivables	71,424
Property Taxes Receivable	36,263
Due from Employees	684
Total Current Assets	1,210,176
Capital Assets	
Land - Not Being Depreciated	70,724
Buildings	1,220,506
Vehicles and Equipment	132,570
Less: Accumulated Depreciation	(948,801)
Total Capital Assets, Net of Depreciation	474,999
<b>TOTAL ASSETS</b>	<b>1,685,175</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Cost Sharing Defined Benefit Pension Plan-TFFR	348,140
<b>LIABILITIES</b>	
Long-Term Liabilities	
Net Pension Liability	1,812,812
Total Non-Current Liabilities	1,812,812
<b>TOTAL LIABILITIES</b>	<b>1,812,812</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Cost Sharing Defined Benefit Pension Plan-TFFR	212,065
<b>NET POSITION</b>	
Net Investment in Capital Assets	474,999
Restricted - Nonexpendable	237,658
Restricted - Student Activities	50,793
Restricted for Scholarships	2,707
Restricted for Employee Flexible Spending	8,538
Unrestricted (Deficit)	(766,257)
<b>TOTAL NET POSITION</b>	<b>\$ 8,438</b>

See Notes to the Financial Statements

**LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46**  
**MARION, NORTH DAKOTA**  
**STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction:				
Regular instruction	\$ 1,700,883	\$ -	\$ -	\$ (1,700,883)
Special education & federal programs	247,199	-	320,196	72,997
Vocational education	67,864	-	-	(67,864)
Support Services:				
Administrative and library	280,002	-	-	(280,002)
Transportation	247,268	-	78,185	(169,083)
Operation and maintenance	244,993	-	-	(244,993)
Student Activities	112,155	50,696	-	(61,459)
School food services	119,437	28,227	114,246	23,036
Interest expense	1,412	-	-	(1,412)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 3,021,213</u></b>	<b><u>\$ 78,923</u></b>	<b><u>\$ 512,627</u></b>	<b><u>(2,429,663)</u></b>

**GENERAL REVENUES**

Property taxes	1,221,531
State aid not restricted to a specific function	1,335,525
Interest income	4,041
Other revenues	128,728
<b>TOTAL GENERAL REVENUES</b>	<b><u>2,689,825</u></b>
<b>Change in Net Position</b>	<b><u>260,162</u></b>
<b>Net Position-Beginning</b>	<b><u>(308,920)</u></b>
GASB 84 Adjustment - See Note 11	57,196
<b>Net Position-Beginning as Restated</b>	<b><u>(251,724)</u></b>
<b>Net Position-Ending</b>	<b><u>\$ 8,438</u></b>

**LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46**  
**MARION, NORTH DAKOTA**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**JUNE 30, 2021**

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Permanent Fund</u>	<u>Student Activity Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash	\$ 686,382	\$ 26,444	\$ 528	\$ 50,793	\$ 764,147
Investments	100,000	-	237,658	-	337,658
Federal Receivables	71,424	-	-	-	71,424
Property Taxes Receivable	36,263	-	-	-	36,263
Due from Employees	684	-	-	-	684
<b>TOTAL ASSETS</b>	<u>\$ 894,753</u>	<u>\$ 26,444</u>	<u>\$ 238,186</u>	<u>\$ 50,793</u>	<u>\$ 1,210,176</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Property Taxes-Delinquent	\$ 36,263	\$ -	\$ -	\$ -	\$ 36,263
<b>FUND BALANCES</b>					
Nonspendable Permanent Fund Principal	-	-	237,658	-	237,658
Restricted for Student Activities	-	-	-	50,793	50,793
Restricted for Scholarships	2,179	-	528	-	2,707
Restricted for Employee Flexible Spending	8,538	-	-	-	8,538
Assigned Food Service	-	26,444	-	-	26,444
Unassigned	847,773	-	-	-	847,773
<b>TOTAL FUND BALANCES</b>	<u>858,490</u>	<u>26,444</u>	<u>238,186</u>	<u>50,793</u>	<u>1,173,913</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 894,753</u>	<u>\$ 26,444</u>	<u>\$ 238,186</u>	<u>\$ 50,793</u>	<u>\$ 1,210,176</u>

See Notes to the Financial Statements

**LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46**  
**MARION, NORTH DAKOTA**  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2021

Total fund balances - governmental funds		\$ 1,173,913
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Land	\$ 70,724	
Buildings	1,220,506	
Vehicles and equipment	132,570	
Less: accumulated depreciation	<u>(948,801)</u>	
		474,999
Net deferred outflows (inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities are not financial resources and therefore, are not reported as deferred outflows (inflows) of resources in the governmental funds.		
		136,075
Property taxes receivable will be collected during the year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		
		36,263
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.		
Net Pension Liability		<u>(1,812,812)</u>
Total net position - governmental activities		<u><u>\$ 8,438</u></u>



**LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46**  
**MARION, NORTH DAKOTA**  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Permanent Fund</u>	<u>Student Activity Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Property taxes	\$ 1,239,279	\$ -	\$ -	\$ -	\$ 1,239,279
Revenue from state sources	1,413,710	339	-	-	1,414,049
Revenue from federal sources	320,196	113,907	-	-	434,103
Other local sources	128,728	28,227	-	50,696	207,651
Interest income	2,435	-	1,606	-	4,041
<b>TOTAL REVENUES</b>	<u>3,104,348</u>	<u>142,473</u>	<u>1,606</u>	<u>50,696</u>	<u>3,299,123</u>
<b>EXPENDITURES</b>					
Current					
Regular instruction	1,661,275	-	-	-	1,661,275
Special education & federal programs	247,199	-	-	-	247,199
Vocational education	67,864	-	-	-	67,864
Administrative and library	280,002	-	-	-	280,002
Transportation	238,858	-	-	-	238,858
Operation and maintenance	228,487	-	-	-	228,487
Student activities	63,508	-	2,242	46,405	112,155
School food services	-	119,437	-	-	119,437
Capital Outlay					
Capital outlay	91,787	-	-	-	91,787
Debt Service					
Principal retirement	24,966	-	-	-	24,966
Interest and fees on long-term debt	1,412	-	-	-	1,412
<b>TOTAL EXPENDITURES</b>	<u>2,905,358</u>	<u>119,437</u>	<u>2,242</u>	<u>46,405</u>	<u>3,073,442</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<u>198,990</u>	<u>23,036</u>	<u>(636)</u>	<u>4,291</u>	<u>225,681</u>
<b>NET CHANGE IN FUND BALANCE</b>	198,990	23,036	(636)	4,291	225,681
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>659,500</u>	<u>3,408</u>	<u>238,822</u>	<u>46,502</u>	<u>948,232</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 858,490</u>	<u>\$ 26,444</u>	<u>\$ 238,186</u>	<u>\$ 50,793</u>	<u>\$ 1,173,913</u>

See Notes to the Financial Statements

**LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46**  
**MARION, NORTH DAKOTA**  
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

Total net change in fund balances - governmental funds	\$	225,681
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital outlays	\$ 91,787		
Depreciation expense	<u>(24,916)</u>		66,871

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets		24,966
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Some revenues will not be collected for several months after the District's fiscal year end. These revenues are not considered "available" revenues in the governmental funds. These consist of:

Net change in unavailable property taxes		(17,748)
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Changes in deferred outflows and inflows of resources related to net pension liability		119,832
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Changes in net pension liability		<u>(159,440)</u>
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Change in net position - governmental activities	\$	<u><u>260,162</u></u>
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**LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46**  
**MARION, NORTH DAKOTA**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

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

**Basis of Presentation**

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

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

**Government-wide Financial Statements**

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

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

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements display information about the District as a whole. These statements include all the financial activities of the District.

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

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

**LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46**  
**MARION, NORTH DAKOTA**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2021

**Fund Financial Statements**

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

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

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

Separate fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Typically, aggregated information for the remaining non-major governmental funds is reported in a single column in the fund financial statements; currently, however, all funds of the District are considered major in the fund financial statements.

**Governmental Funds**

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

General Fund

This fund includes the general operating fund of the District and jeans scholarship fund, and the flex fund. It accounts for all financial resources except those requiring to be accounted for in another fund.

Food Service

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

Permanent Fund

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

**LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46**  
**MARION, NORTH DAKOTA**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2021

Student Activity Fund

This fund accounts for the financial transactions related to the District's student activity programs.

**Non-major Governmental Funds**

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

**Revenues-Exchange and Non-Exchange Transactions**

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

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

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

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

**Unearned Revenues**

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

**Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one type

**LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46**  
**MARION, NORTH DAKOTA**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2021

of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable property taxes – delinquent*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also has one item reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents the actuarial differences within the TFFR pension plan. See Note 4 for more details.

### **Budgets and Budgetary Accounting**

The Board of Education adopts an “appropriated budget” on a basis consistent with GAAP for the General Fund. A budget is not adopted for the Food Service Fund, Permanent Fund or Student Activity Fund. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

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

### **Cash and Cash Equivalents**

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

### **Investments**

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

### **Capital Assets**

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

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

**LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46**  
**MARION, NORTH DAKOTA**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2021

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

**Property taxes**

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

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

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

**Compensated Absences**

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

**Pensions**

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

**Fund Balance**

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

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

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

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

**LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46**  
**MARION, NORTH DAKOTA**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2021

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

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

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

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

### **Net Position**

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

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

### **Minimum Fund Balance Policy**

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

### **Inter-fund Activity**

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

### **Encumbrances**

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



**LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46**  
**MARION, NORTH DAKOTA**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2021

**Use of Estimates**

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

**NOTE 2 - CASH AND INVESTMENTS**

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

At June 30, 2021, the carrying amount of the District's deposits was \$764,147 and the bank balance was \$1,176,907. The bank balance was covered by Federal Depository Insurance and by collateral held by the District's agent in the District's name in amounts sufficient to meet North Dakota legal requirements.

The District's investments consist of certificates of deposit.

**Interest Rate Risk**

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

**Credit Risk**

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

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

**LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46**  
**MARION, NORTH DAKOTA**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2021

**NOTE 3 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2021 was as follows:

	Balance 6-30-20	Additions	Disposals	Transfers	Balance 6-30-21
<b>Governmental Activities</b>					
Land	\$ 70,724	\$ -	\$ -	\$ -	\$ 70,724
Construction in Progress	137,727	-	-	(137,727)	-
Buildings	1,027,868	54,911	-	137,727	1,220,506
Vehicles and equipment	95,694	36,876	-	-	132,570
<b>Total</b>	<u>1,332,013</u>	<u>91,787</u>	<u>-</u>	<u>-</u>	<u>1,423,800</u>
<b>Less Accumulated Depreciation</b>					
Buildings	875,943	15,278	-	-	891,221
Vehicles and equipment	47,942	9,638	-	-	57,580
<b>Total</b>	<u>923,885</u>	<u>24,916</u>	<u>-</u>	<u>-</u>	<u>948,801</u>
<b>Net Capital Assets for</b>					
Governmental Activities	<u>\$ 408,128</u>	<u>\$ 66,871</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 474,999</u>

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

	<u>Depreciation</u>
Transportation	\$ 8,410
Operation and maintenance	16,506
	<u>\$ 24,916</u>

**NOTE 4 - PENSION PLAN**

**North Dakota Teacher's Fund For Retirement**

The following brief description of TFFR is provided for general information purposes only. Participants should refer to NDCC Chapter 15-39.1 for more complete information. TFFR is a cost-sharing multiple-employer defined benefit pension plan covering all North Dakota public teachers and certain other teachers who meet various membership requirements. TFFR provides for pension, death and disability benefits. The cost to administer the TFFR plan is financed by investment income and contributions.

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

**LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46**  
**MARION, NORTH DAKOTA**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2021

**Pension Benefits**

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

*Tier 1 Grandfathered*

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

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

*Tier 1 Non-grandfathered*

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

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

*Tier 2*

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

**LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46**  
**MARION, NORTH DAKOTA**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2021

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

### **Death and Disability Benefits**

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

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

### **Member and Employer Contributions**

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

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

**LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46**  
**MARION, NORTH DAKOTA**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2021

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

At June 30, 2021, the District reported a liability of \$1,812,812 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2020, the Employer's proportion was 0.118445 percent which was a decrease of 0.001604 from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Employer recognized pension expense of \$154,025. At June 30, 2021, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 374	\$ 68,031
Changes in actuarial assumptions	81,592	-
Difference between projected and actual investment earnings	111,907	
Changes in proportion	39,850	144,034
Contributions paid to TFFR subsequent to the measurement date	114,417	-
Total	\$ 348,140	\$ 212,065

\$114,417 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022.

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

Year ending June 30:	Pension Expense Amount
2022	\$ (3,923)
2023	5,465
2024	12,312
2025	156
2026	5,495
Thereafter	2,153

**Actuarial Assumptions**

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.80% to 14.80%, varying by service, including inflation and productivity
Investment rate of return	7.25%, net of investment expenses
Cost-of-living adjustments	None

**LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46**  
**MARION, NORTH DAKOTA**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2021

For active and inactive members, mortality rates were based on the PubT-2010 Employee table, projected with generational improvement using Scale MP-2019. For healthy retirees, mortality rates were based on 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019. For disability retirees, mortality rates were based on the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019.

The actuarial assumptions used were based on the results of an actuarial experience study dated March 19, 2020. They are the same as the assumptions used in the July 1, 2020, funding actuarial valuation for TFFR.

As a result of the March 19, 2020 actuarial experience study, the TFFR Board adopted several assumption changes, including the following:

- Investment return assumption lowered from 7.75% to 7.25%;
- Inflation assumption lowered from 2.75% to 2.30%;
- Individual salary increases were lowered;
- Rates of turnover, retirement and disability were changed to better reflect anticipated future experience;
- The post-retirement healthy mortality table was updated to 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019;
- The disabled mortality was updated to the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019; and
- The pre-retirement mortality table was updated to the PubT-2010 Employee table projected with generational improvement using Scale MP-2019.

The TFFR Board is responsible for establishing investment policy for the fund assets under NDCC 15-39.1-05.2. Benefit payments are projected to occur over a long period of time. This allows TFFR to adopt a long-term investment horizon and asset allocation policy for the management of fund assets. Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the Board in determining an acceptable volatility target for the fund and an optimal asset allocation policy mix. This asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk, including the resulting estimated impact of funded status and contribution rates.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2020 are summarized in the following table:

**LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46**  
**MARION, NORTH DAKOTA**  
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JUNE 30, 2021

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equities	58.00%	6.86%
Global Fixed Income	23.00%	1.25%
Global Real Assets	18.00%	5.02%
Cash Equivalents	1.00%	0.00%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25 percent as of June 30, 2020. 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, 2020, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2020. 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, 2020.

**Pension Liability Sensitivity**

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease in Discount Rate 6.25%	Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
District's proportionate share of the TFFR net pension liability:	\$ 2,414,568	\$ 1,812,812	\$ 1,312,721

**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](http://www.nd.gov/rio/sib/publications/cafr/default.htm).

**LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46**  
**MARION, NORTH DAKOTA**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2021

**NOTE 5 - LONG TERM LIABILITIES**

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

Title	Interest Rate	Original Maturity	Balance 7/1/2020	Additions	Reductions	Balance 6/30/2021	Due within One Year
Vehicle Loan	5.31	1/7/2022	\$ 24,966	\$ -	\$ 24,966	\$ -	\$ -
Net Pension Liability			<u>1,653,372</u>	<u>522,688</u>	<u>363,248</u>	<u>1,812,812</u>	<u>-</u>
			<u>\$ 1,678,338</u>	<u>\$ 522,688</u>	<u>\$ 388,214</u>	<u>\$ 1,812,812</u>	<u>\$ -</u>

The District paid off the remaining balance of the vehicle loan on December 14, 2020.

Interest expense was \$1,412 for the year ended June 30, 2021. The above loan was collateralized by a 2016 Ford Econoline.

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

**NOTE 6 - COMMITMENTS AND CONTINGENCIES**

**Grant Programs**

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2021, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**NOTE 7 - RISK MANAGEMENT**

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

**NOTE 8 - CHARITABLE TRUST**

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



**LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46**  
**MARION, NORTH DAKOTA**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2021

**NOTE 9 - NON-MONETARY TRANSACTIONS**

The District receives food commodities from the federal government to subsidize its hot lunch program. The market value of commodities received for the year ended June 30, 2021 was \$7,454.

**NOTE 10 - NEW PRONOUNCEMENTS**

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

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

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

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

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

**LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46**  
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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2021

result from the replacement of IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

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

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

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

**LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46**  
**MARION, NORTH DAKOTA**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2021

of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

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

**NOTE 11 - CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION**

The District implemented GASB Statement No. 84, Fiduciary Activities. As a result, beginning net position has been restated to reflect the related fund balance of resources as of July 1, 2020 as follows:

Net Position July 1, 2020 as previously reported	\$ (308,920)
Restatement for fiduciary accounting:	
Student Activity Fund Balance	46,502
Jeans Day Scholarship Fund Balance	2,156
Flex Fund Balance	<u>8,538</u>
Net Position July 1, 2020 as restated	<u>\$ (251,724)</u>

**NOTE 12 - SUBSEQUENT EVENTS**

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through September 27, 2021, which is the date these financial statements were available to be issued.

**LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46**  
**MARION, NORTH DAKOTA**  
**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<b>General Fund</b>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 1,254,370	\$ 1,254,370	\$ 1,239,279	\$ (15,091)
Revenue from state sources	1,408,637	1,408,637	1,413,710	5,073
Revenue from federal sources	981,462	994,595	320,196	(674,399)
Other local sources	102,972	102,972	128,728	25,756
Interest income	1,220	1,220	2,435	1,215
<b>TOTAL REVENUES</b>	<u>3,748,661</u>	<u>3,761,794</u>	<u>3,104,348</u>	<u>(657,446)</u>
<b>EXPENDITURES</b>				
Current				
Regular instruction	1,504,677	2,436,092	1,661,275	774,817
Special education	228,037	245,242	247,199	(1,957)
Vocational education	71,501	71,501	67,864	3,637
Administrative and library	293,445	293,445	280,002	13,443
Transportation	272,649	272,649	238,858	33,791
Operation and maintenance	394,525	344,525	228,487	116,038
Student activities	73,616	73,616	63,508	10,108
Debt Service				
Principal payments	-	-	24,966	(24,966)
Interest expense	-	-	1,412	(1,412)
Capital outlay	-	-	91,787	(91,787)
<b>TOTAL EXPENDITURES</b>	<u>2,838,450</u>	<u>3,737,070</u>	<u>2,905,358</u>	<u>831,712</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>910,211</u>	<u>24,724</u>	<u>198,990</u>	<u>174,266</u>
<b>OTHER SOURCES (USES)</b>				
Transfers out	(20,000)	(20,000)	-	20,000
<b>TOTAL OTHER SOURCES (USES)</b>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>	<u>20,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	890,211	4,724	198,990	194,266
<b>FUND BALANCE - JULY 1</b>	<u>659,500</u>	<u>659,500</u>	<u>659,500</u>	<u>-</u>
<b>FUND BALANCE - JUNE 30</b>	<u>\$ 1,549,711</u>	<u>\$ 664,224</u>	<u>\$ 858,490</u>	<u>\$ 194,266</u>

See Note to the Budgetary Comparison Schedule

**LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46**  
**MARION, NORTH DAKOTA**  
NOTE TO THE BUDGETARY COMPARISON SCHEDULE  
AS OF JUNE 30, 2021

**NOTE 1 - BUDGETING POLICIES**

The Board of Education adopts an “appropriated budget” on a basis consistent with GAAP for the General Fund. A budget is not adopted for the Food Service Fund, Permanent Fund or Student Activity Fund. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

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

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

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

**Teachers Fund for Retirement**

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (asset) as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage Of the Total Pension Liability
2020	0.118445%	\$ 1,812,812	\$ 864,250	209.76%	63.40%
2019	0.120049%	1,653,372	842,175	196.32%	65.50%
2018	0.116098%	1,547,427	789,247	196.06%	65.50%
2017	0.131432%	1,805,259	887,132	203.49%	63.20%
2016	0.131458%	1,925,932	854,113	225.49%	59.20%
2015	0.130479%	1,706,476	802,581	212.62%	62.10%
2014	0.139115%	1,457,679	806,940	180.64%	66.60%

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

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

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

**Teachers Fund for Retirement**

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2021	\$ 114,417	\$ (114,417)	\$ -	\$ 897,386	12.75%
2020	110,192	(110,192)	-	864,250	12.75%
2019	107,377	(107,377)	-	842,173	12.75%
2018	100,629	(100,629)	-	789,247	12.75%
2017	113,109	(113,109)	-	887,132	12.75%
2016	108,900	(108,900)	-	854,113	12.75%
2015	102,329	(102,329)	-	802,581	12.75%

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

**LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46**  
**MARION, NORTH DAKOTA**  
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2021

**NOTE 1 CHANGES OF ASSUMPTIONS**

**TFFR**

Amounts reported in 2021 and later reflect the following actuarial assumption changes based on the results of an actuarial experience study dated March 19, 2020.

- Investment return assumption lowered from 7.75% to 7.25%;
- Inflation assumption lowered from 2.75% to 2.30%;
- Individual salary increases were lowered;
- Rates of turnover, retirement and disability were changed to better reflect anticipated future experience;
- The post-retirement healthy mortality table was updated to 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019;
- The disabled mortality was updated to the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019; and
- The pre-retirement mortality table was updated to the PubT-2010 Employee table projected with generational improvement using Scale MP-2019.

Amounts reported in 2016-2020 reflect the following actuarial assumption changes based on the results of an actuarial experience study dated April 30, 2015.

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Litchville-Marion Public School District No. 46 as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Litchville-Marion Public School District No. 46's basic financial statements and have issued our report thereon dated September 27, 2021.

### **Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of control deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2021-001 to be a material weakness.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2021-002 to be a significant deficiency.

### **Compliance and Other Matters**

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

### **The District's Response to Findings**

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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



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

September 27, 2021

**LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46**  
**MARION, NORTH DAKOTA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Material Weakness 2021-001**

**Criteria:**

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

**Condition:**

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

**Cause:**

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

**Effect:**

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

**Recommendation:**

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

**Management's Response:**

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

**LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46**  
**MARION, NORTH DAKOTA**  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2021

**Significant Deficiency 2021-002**

**Criteria:**

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

**Condition:**

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

**Cause:**

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

**Effect:**

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

**Recommendation:**

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

**Management's Response:**

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