

***RICHARDTON-TAYLOR
PUBLIC SCHOOL DISTRICT NO. 34***

AUDIT REPORT

JUNE 30, 2021

Richardton-Taylor Public School District No. 34
RICHARDTON, NORTH DAKOTA

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For The Year Ended June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Richardton-Taylor Public School District No. 34
Richardton, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Richardton-Taylor Public School District No. 34, Richardton, North Dakota, 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, each major fund, and the aggregate remaining fund information of Richardton-Taylor Public School District No. 34, Richardton, North Dakota 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 discussed in Note 12 to the financial statements, Richardton-Taylor Public School District No. 34 adopted a new accounting guidance, GASB Statement No. 84, Fiduciary Activities. Our opinion is 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 District's share of net pension liability and employer contributions on page 23, the budgetary comparison information on page 24, and the notes to the required supplementary information on page 25 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2022, on our consideration of Richardton-Taylor Public School District No. 34's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Richardton-Taylor Public School District No. 34's internal control over financial reporting and compliance.

Haga Kommer, Ltd.

Haga Kommer, Ltd
Mandan, North Dakota
March 11, 2022

Richardton-Taylor Public School District No. 34

Statement of Net Position

June 30, 2021

	Governmental Activities
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 2,483,215
Accounts Receivable	1,047
Due from County Treasurer	8,410
Taxes Receivable, Net	40,593
Capital Assets, Net of Depreciation	<u>12,825,734</u>
Total Assets	15,358,999
DEFERRED OUTFLOWS OF RESOURCES	
Derived from Pensions	861,950
LIABILITIES	
Long-Term Liabilities:	
Portion Due or Payable within One Year	
School Construction Loan Payable	320,018
School Building Bond Payable	245,000
Bus Loan Payable	16,703
Portion Due or Payable after One Year	
Net Pension Liability	4,171,073
School Construction Loan Payable	4,831,282
School Building Bond Payable	4,395,000
Bus Loan Payable	35,596
Compensated Absences Payable	<u>58,384</u>
Total Liabilities	14,073,056
DEFERRED INFLOWS OF RESOURCES	
Derived from Pensions	251,160
NET POSITION	
Net Investment in Capital Assets	2,982,135
Restricted for:	
Capital Projects Fund	84,785
Debt Service Fund	392,381
Student Activities	129,579
Unrestricted	<u>(1,692,147)</u>
Total Net Position	<u>\$ 1,896,733</u>

Richardton-Taylor Public School District No. 34Statement of Activities
For the Year Ended June 30, 2021

	Program Revenues			Net (Expense) Revenue & Changes in Net Position
	Expenses	Charges for Services	Operating Grants & Contributions	Governmental Activities
Functions/Programs				
Governmental Activities				
Instruction & Instruction-Related Services	\$ 3,501,568	\$ 169,896	\$ 453,773	\$ (2,877,899)
School Administration & Support Services	1,087,553	-	-	(1,087,553)
Student Support Services	958,990	195,212	216,701	(547,077)
Interest on Long-Term Debt	171,038	-	-	(171,038)
Total Primary Government	<u>\$ 5,719,149</u>	<u>\$ 365,108</u>	<u>\$ 670,474</u>	<u>(4,683,567)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purpose				1,116,381
Property Taxes, Levied for Building Projects				133,640
Property Taxes, Levied for Debt Service				614,643
Oil & Gas Production Taxes				566,262
State Aid				2,934,299
Unrestricted Investment Earnings				<u>7,060</u>
Total General Revenues				<u>5,372,285</u>
Change in Net Position				688,718
Net Position - Beginning of Year				1,088,822
Prior Period Adjustment (See Note 12)				<u>119,193</u>
Net Position - Beginning of Year, as Restated				<u>1,208,015</u>
Net Position - End of Year				<u>\$ 1,896,733</u>

Richardton-Taylor Public School District No. 34

Balance Sheet - Governmental Funds

June 30, 2021

	<u>Major Funds</u>		Other	Total
	General	Debt Service Fund	Governmental Funds	Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 1,895,985	\$ 376,350	\$ 210,880	\$ 2,483,215
Accounts Receivable	1,047	-	-	1,047
Due from County Treasurer	5,368	2,499	543	8,410
Taxes Receivable, Net	<u>24,120</u>	<u>13,532</u>	<u>2,941</u>	<u>40,593</u>
TOTAL ASSETS	<u><u>\$ 1,926,520</u></u>	<u><u>\$ 392,381</u></u>	<u><u>\$ 214,364</u></u>	<u><u>\$ 2,533,265</u></u>
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Deferred Inflows of Resources:				
Uncollected Taxes	<u>\$ 24,120</u>	<u>\$ 13,532</u>	<u>\$ 2,941</u>	<u>\$ 40,593</u>
Total Deferred Inflows of Resources	<u>24,120</u>	<u>13,532</u>	<u>2,941</u>	<u>40,593</u>
Fund Balances:				
Restricted for Capital Projects	-	-	81,844	81,844
Restricted for Debt Service	-	378,849	-	378,849
Restricted for Student Activities	-	-	129,579	129,579
Unassigned	<u>1,902,400</u>	<u>-</u>	<u>-</u>	<u>1,902,400</u>
Total Fund Balances	<u>1,902,400</u>	<u>378,849</u>	<u>211,423</u>	<u>2,492,672</u>
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 1,926,520</u></u>	<u><u>\$ 392,381</u></u>	<u><u>\$ 214,364</u></u>	<u><u>\$ 2,533,265</u></u>

Total fund balances - governmental funds \$ 2,492,672

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 in the funds. The cost of the assets is \$14,776,815 and the accumulated depreciation is \$1,951,081.	12,825,734
Deferred outflows of resources are not a financial resource available for the current period and, therefore, are not reported in the governmental funds balance sheet.	861,950
The net pension liability is not due and payable in the current period and, therefore, is not reported in the governmental funds balance sheet.	(4,171,073)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.	(251,160)
Property taxes receivable will be collected this year but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	40,593
Some liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Compensated Absences Payable	(58,384)
School Construction Loan Payable	(5,151,300)
School Building Bond Payable	(4,640,000)
Bus Loan Payable	<u>(52,299)</u>
Net position of governmental activities	<u><u>\$ 1,896,733</u></u>

Richardton-Taylor Public School District No. 34
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2021

	Major Funds		Other	Total
	General	Debt Service Fund	Governmental Funds	Governmental Funds
REVENUES				
Property Taxes	\$ 1,129,895	\$ 622,222	\$ 135,288	\$ 1,887,405
Oil & Gas Production Taxes	566,262	-	-	566,262
Tuition Charges	169,896	-	-	169,896
Fees and Charges	42,978	-	-	42,978
State Aid	2,927,175	-	-	2,927,175
Federal Aid	645,226	-	-	645,226
Earnings on Investments	6,695	302	63	7,060
Student Activities	-	-	184,606	184,606
TOTAL REVENUES	5,488,127	622,524	319,957	6,430,608
EXPENDITURES				
Current:				
Regular Education Programs	1,802,366	-	-	1,802,366
Title I	104,128	-	-	104,128
Title IV	12,577	-	-	12,577
Other Federal Programs	180,578	-	-	180,578
Instructional Media Service	99,599	-	-	99,599
Other Instruction Support Service	500	-	-	500
School Board	55,380	-	-	55,380
Executive Administration	155,777	-	-	155,777
Supportive Service - Business	292,049	-	-	292,049
Other Support Services	116,000	-	-	116,000
Operation & Maintenance	445,354	-	-	445,354
Student Activities	134,667	-	174,220	308,887
Student Transportation	365,721	-	-	365,721
Construction Services	-	20,408	-	20,408
Vocational Education	134,951	-	-	134,951
Special Education	666,102	-	-	666,102
Preschool	105,875	-	-	105,875
Food Service	247,388	-	-	247,388
Capital Outlay	-	-	92,531	92,531
Debt Service:				
Principal	16,013	556,850	65,421	638,284
Interest & Fees	2,581	164,957	3,500	171,038
TOTAL EXPENDITURES	4,937,606	742,215	335,672	6,015,493
Excess (Deficiency) of Revenues Over (Under) Expenditures	550,521	(119,691)	(15,715)	415,115
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	(41,790)	-	41,790	-
TOTAL OTHER FINANCING SOURCES (USES)	(41,790)	-	41,790	-
NET CHANGE IN FUND BALANCES	508,731	(119,691)	26,075	415,115
Fund Balances - July 1, 2020	1,393,669	498,540	66,155	1,958,364
Prior Period Adjustment (See Note 12)	-	-	119,193	119,193
Fund Balances - July 1, 2020 Restated	1,393,669	498,540	185,348	2,077,557
FUND BALANCES - JUNE 30, 2021	\$ 1,902,400	\$ 378,849	\$ 211,423	\$ 2,492,672

Richardton-Taylor Public School District No. 34

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the year ended June 30, 2021

Net change in fund balances - total governmental funds \$ 415,115

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

Capital assets purchased in the current period	\$ 221,505	
Depreciation expense of capital assets reported	<u>(347,826)</u>	(126,321)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds. Deferred tax revenues decreased by this amount this year. (22,741)

Compensated absences is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The net increase in compensated absences is: (12,929)

Governmental funds report the pension expense as accrued for actual salaries paid in the expenditures. However in the statement of activities, the pension expense is an actuarial calculation of the cost of the plan accounting for projected future benefits, plan earnings, and contributions. (202,690)

The proceeds of debt issuances are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement but the repayment reduces long-term liabilities in the statement of net position. The amount of debt issued and repaid is:

Debt Repayment	<u>638,284</u>
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Change in net position of governmental activities \$ 688,718

Richardton-Taylor Public School District No. 34

Notes to Basic Financial Statements

June 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Richardton-Taylor Public School District No. 34 complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The more significant of the District's accounting policies are described below.

Reporting Entity

In accordance with Governmental Accounting Standards Board Statement No. 14 *The Financial Reporting Entity*, for financial reporting purposes the District's financial statements include all accounts of the District's operations. The criteria for including organizations as component units within the District's reporting entity include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is a fiscal dependency by the organization on the District

The District receives funding from local, county, state and federal government sources and must comply with the concomitant requirements of these funding source entities. But, based upon the criteria of Statement No. 14, there are no component units to be included within the District as a reporting entity and the District is not includable as a component unit within another reporting entity.

Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are supported by taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Currently, the District does not classify any activities as business-type or fiduciary.

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Separate statements are presented for governmental, proprietary, and fiduciary activities. The District has no proprietary or fiduciary activities at this time. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Richardton-Taylor Public School District No. 34

Notes to Basic Financial Statements

June 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The District has presented the following major funds:

General Fund: The General Fund is the main operating fund of the District. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Debt Service Fund: This fund accounts for the accumulation of resources and payment of principal and interest on the new school building.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when transactions are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

Interfund Transactions

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of governmental funds.

Richardton-Taylor Public School District No. 34

Notes to Basic Financial Statements

June 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Encumbrance Accounting

Encumbrances are commitments related to unperformed contracts for goods and services that may be recorded for budgetary control purposes. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. No reservation of fund balances is provided at year-end.

Cash and Cash Equivalents

Cash and cash equivalents consist of amounts in demand deposits and savings accounts.

Credit Risk:

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

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

The District has not adopted a policy limiting the amount that can be invested with any one issuer.

Investments

Investments are recorded at fair value as required by GASB Statement No. 72, *Fair Value Measurement and Application*. The District has not adopted a policy limiting the amount that can be invested with any one issuer.

Inventory

A food inventory for food services is not recorded at year end because it is immaterial. School supplies are considered to be an expense in the year they are appropriated.

Richardton-Taylor Public School District No. 34

Notes to Basic Financial Statements

June 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets

Capital assets include land, buildings and improvements, equipment, and vehicles and are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation.

Assets capitalized have an original cost of \$5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and Improvements	10-70 years
Equipment	5 years
Vehicles	10 years

Accrued Compensated Absences

The District adopted a policy allowing twelve month staff to be paid for unused vacation and sick leave. Twelve month staff members are allowed to carry over 120 hours of vacation each year and upon separation from employment will be paid any unused vacation hours. Any hours in excess of 120 will be paid to the employees at June 30. The twelve month staff members are also allowed to carry over 240 hours of sick leave. They will be paid their sick leave time upon departure from the District at one-half their hourly rate up to a maximum of \$3,000. Teachers are not paid any sick leave upon termination. Teachers will be compensated for unused personal days at the approved substitute teacher rate for the year. 9 month employees are allowed to carryover 12 hours of personal time at year end.

A long-term liability for accrued leave as of June 30th has been recorded in the government-wide statements.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the school board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Balance Classifications

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – inventories; or (b) legally or contractually required to be maintained intact.

Richardton-Taylor Public School District No. 34

Notes to Basic Financial Statements

June 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the school board – the District’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the school board removed the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification reflects the amounts constrained by the District’s “intent” to be used for special purposes, but are neither restricted nor committed. The school board and superintendent have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the District’s preference is to first use restricted resources, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

Deferred Inflows/Outflows of Resources

Deferred inflows of resources in the fund financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available and include uncollected taxes.

In addition to assets, the statement of net position will sometimes report a separate section of 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 resources (expense/expenditure) until then. In addition to liabilities, the statement of 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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. See Note 7 for additional information.

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.

Richardton-Taylor Public School District No. 34

Notes to Basic Financial Statements

June 30, 2021

NOTE 2 DEPOSITS – CASH AND INVESTMENTS

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

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

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

As of June 30, 2021, the District's carrying balances were \$2,483,215 for governmental funds. The bank balance of these deposits as of June 30, 2021, was \$2,644,246. The difference results from checks outstanding or deposits not yet processed. Of the bank balances, \$500,000 was covered by Federal Depository Insurance and \$2,144,246 was collateralized with securities held by the pledging financial institutions' agent not in the District's name. During the fiscal year ended June 30, 2021, the board reviewed the pledge of securities semi-annually.

NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

- Level 1: Valuation is based upon quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2: Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3: Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The District has no assets measured at fair value.

Richardton-Taylor Public School District No. 34

Notes to Basic Financial Statements

June 30, 2021

NOTE 4 PROPERTY TAX

Under state law, the District is limited in its ability to levy property taxes. All school tax levies are in compliance with state laws. Property taxes attach as an enforceable lien on property on January 1. A 5% reduction is allowed if paid by February 15th. Penalty and interest are added March 1st unless the first half of the taxes have been paid. Additional penalties are added October 15th if not paid. Taxes are collected by the county and remitted monthly to the school.

In its fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end. Taxes receivable consist of current and delinquent uncollected taxes at June 30. No allowance has been established for estimated uncollectible taxes because an offsetting deferred revenue has been recorded.

In the government-wide financial statements, property taxes are recorded as a receivable and revenue when assessed.

NOTE 5 CAPITAL ASSETS

Capital assets consist of the following as of June 30, 2021:

Capital assets not being depreciated:	
Land	\$ 75,000
Capital assets being depreciated:	
Building and Improvements	13,216,515
Equipment	957,963
Vehicles	527,337
Total	<u>14,776,815</u>
Less Accumulated Depreciation	<u>(1,951,081)</u>
Net – 6/30/21	<u><u>\$ 12,825,734</u></u>

Following is a summary of changes in capital assets and accumulated depreciation for the year ended June 30, 2021:

	Capital Assets	Accumulated Depreciation
Balance – 6/30/20	\$ 14,555,310	\$ 1,603,255
Purchases	221,505	-
Dispositions	-	-
Current Year Depreciation Expense	-	347,826
Balance – 6/30/21	<u><u>\$ 14,776,815</u></u>	<u><u>\$ 1,951,081</u></u>

Depreciation expense for the year ended June 30, 2021 was \$347,826 and has been reported in the government-wide statement of activities under the following governmental activities:

Instruction & Instruction-Related Services	\$ 192,202
School Administration & Support Services	108,630
Student Support Services	46,994
Total Depreciation Expense	<u><u>\$ 347,826</u></u>

Richardton-Taylor Public School District No. 34

Notes to Basic Financial Statements

June 30, 2021

NOTE 6 LONG-TERM DEBT

Following is a summary of long-term debt activity for the year ended June 30, 2021:

	Balance 6/30/20	Advances (Payments)	Balance 6/30/21	Due within one year
Bus Loan	\$ 68,312	\$ (16,013)	\$ 52,299	\$ 16,703
ESG Loan Payable	65,421	(65,421)	-	-
School Building Bond	4,880,000	(240,000)	4,640,000	245,000
School Construction Loan	5,468,150	(316,850)	5,151,300	320,018
Compensated Absences Payable*	45,455	12,929	58,384	-
Total	<u>\$ 10,527,338</u>	<u>\$ (625,355)</u>	<u>\$ 9,901,983</u>	<u>\$ 581,721</u>

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

Principal and interest payments required for the loans are as follows:

For the year ended June 30,	Principal	Interest	Total
2022	\$ 581,721	\$ 158,229	\$ 739,950
2023	590,641	149,359	740,000
2024	599,624	140,327	739,951
2025	589,715	131,491	721,206
2026	598,013	122,944	720,957
2027-2031	3,140,684	479,201	3,619,885
2032-2036	3,398,201	197,974	3,596,175
2037-2038	345,000	18,838	363,838
Total	<u>\$ 9,843,599</u>	<u>\$ 1,398,363</u>	<u>\$ 11,241,962</u>

Long-term debt payable includes the following issues:

Loans Payable

Bus Loan - Dakota Community Bank & Trust: loan dated June 24, 2019;
due in monthly payments of \$1,549, including interest, through 2024;
interest at 4.17 percent

\$ 52,299

General Obligation School Building Bond - Series 2016: bond dated
February 1, 2017 through 2036; interest and annual payment varies.

4,640,000

General Obligation School Building Bond - Series 2017: bond dated
April 5, 2017; due in annual payments of \$371,531, through 2036;
interest at 1.00 percent.

5,151,300

\$ 9,843,599

Richardton-Taylor Public School District No. 34

Notes to Basic Financial Statements

June 30, 2021

NOTE 7 DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (PENSION)

Details of the Deferred Outflows of Resources and Deferred Inflows of Resources on the face of the financial statements as of June 30, 2021, are as follows:

Deferred Outflows of Resources	
Derived from pension	<u>\$ 861,950</u>
Deferred Inflows of Resources	
Derived from pension	<u>\$ 251,160</u>

Note 8 of the financial statements contains details of the pension plan.

NOTE 8 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 related to the administration of the fund, including benefit terms, to the Legislative Assembly for consideration. The Legislative Assembly has final authority for changes to benefit terms and contribution rates.

Pension Benefits

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

Tier 1 Grandfathered

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

Richardton-Taylor Public School District No. 34

Notes to Basic Financial Statements

June 30, 2021

NOTE 8 PENSION PLAN – CONTINUED

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

An active member is eligible to receive disability benefits when: (a) a total disability lasting 12 months or more does not allow the continuation of teaching, (b) the member has accumulated five years of 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.

Richardton-Taylor Public School District No. 34

Notes to Basic Financial Statements

June 30, 2021

NOTE 8 PENSION PLAN – CONTINUED**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.

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 \$4,171,073 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 District's proportion of the net pension liability was based on the District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2020, the District's proportion was 0.27252947 percent which was an increase of 0.01061306 percent from its proportion measured as of July 1, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$450,761. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 860	\$ 156,532
Changes of assumptions	187,735	-
Net difference between projected and actual earnings on pension plan investments	257,486	-
Changes in proportion and differences between employer contributions and proportionate share of contributions.	167,800	94,628
Employer contributions subsequent to the measurement date (see below)	248,069	-
Total	<u>\$ 861,950</u>	<u>\$ 251,160</u>

Richardton-Taylor Public School District No. 34

Notes to Basic Financial Statements

June 30, 2021

NOTE 8 PENSION PLAN – CONTINUED

\$248,069 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 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:

For the year ended June 30,

2022	\$	87,340
2023		60,318
2024		99,136
2025		70,936
2026		12,322
Thereafter		32,671

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, including inflation
Cost-of-living adjustments	None

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.

Richardton-Taylor Public School District No. 34

Notes to Basic Financial Statements

June 30, 2021

NOTE 8 PENSION PLAN – CONTINUED

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 Fund's target asset allocation as of July 1, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58%	6.9%
Global Fixed Income	23%	1.3%
Global Real Assets	18%	5.0%
Cash Equivalents	1%	0.0%

Richardton-Taylor Public School District No. 34

Notes to Basic Financial Statements

June 30, 2021

NOTE 8 PENSION PLAN – CONTINUED

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 July 1, 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.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Employer's proportionate share of the net pension liability	\$5,555,645	\$4,171,073	\$3,020,422

Pension plan fiduciary net position

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

NOTE 9 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 following are funds/pools established by the State for risk management issues.

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

The District participates in the North Dakota Worker's Compensation Bureau, an Enterprise Fund of the State of North Dakota. The Bureau is a state insurance fund and a "no fault" insurance system covering the State's employers and employees financed by premiums assessed to employers. The premiums are available for the payment of claims to employees injured in the course of employment.

Richardton-Taylor Public School District No. 34

Notes to Basic Financial Statements

June 30, 2021

NOTE 9 RISK MANAGEMENT - CONTINUED

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the District with blanket fidelity bond coverage in the amount of \$1,000,000 for its employees. The State Bond Fund does not currently charge any premium for this coverage.

There have been no significant reductions in insurance coverage from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 10 EXPENDITURES IN EXCESS OF BUDGET

For the fiscal year ended June 30, 2021, expenditures in the general fund were under budget by \$181,790. No remedial action is anticipated. Revenues were over budget by \$258,817.

NOTE 11 TAX ABATEMENTS

Richardton-Taylor Public School District No. 1 and political subdivisions within Stark and Dunn County can negotiate property tax abatement agreements with individuals and various commercial entities/businesses. The school district will state individually the parties whom received a benefit of the reduction in taxes of 20% or greater when compared to the total reduction of taxes for all tax abatement programs. No such abatements existed as of June 30, 2021.

NOTE 12 PRIOR PERIOD ADJUSTMENTS

Richardton-Taylor Public School District No. 34 adopted new accounting guidance, GASB Statement No. 84, Fiduciary Activities during 2021. The result of implementing GASB 84 increased beginning net position for the School District and beginning fund balance of the nonmajor funds by \$119,193 and \$119,193, respectively.

Adjustments to beginning net position and fund balance are as follows:

	Governmental Activities Net Position	Nonmajor Funds Fund Balance
Beginning of Year, as previously reported	\$ 1,088,822	\$ 66,155
Reclassification of Funds	119,193	119,193
Beginning of Year, as restated	<u>\$ 1,208,015</u>	<u>\$ 185,348</u>

NOTE 13 SUBSEQUENT EVENTS

The District purchased a bus with loan proceeds of \$80,100 received on July 1, 2021. This is a 60 month loan at 2.810% interest with monthly payments of \$1,434. During the fiscal year, the District made a \$10,000 down payment on the bus.

***REQUIRED
SUPPLEMENTARY
INFORMATION***

Richardton-Taylor Public School District No. 34

Required Supplementary Information
For the Year Ended June 30, 2021

Schedule of Employer's Share of Net Pension Liability
ND Teachers' Fund for Retirement
Last 10 Fiscal Years *

	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.27252947%	0.26191641%	0.267962%	0.264059%	0.263980%	0.275564%	0.266063%
Employer's proportionate share of the net pension liability (asset)	\$ 4,171,073	\$ 3,607,252	\$ 3,571,557	\$ 3,626,923	\$ 3,867,461	\$ 3,603,978	\$ 2,787,869
Employer's covered-employee payroll	\$ 1,988,540	\$ 1,837,418	\$ 1,821,633	\$ 1,782,325	\$ 1,715,144	\$ 1,695,010	\$ 1,543,307
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	209.76%	196.32%	196.06%	203.50%	225.49%	212.62%	180.64%
Plan fiduciary net position as a percentage of the total pension liability	63.4%	65.5%	65.5%	63.2%	59.2%	62.1%	66.6%

* Complete data for this schedule is not available prior to 2015.

Data reported is measured as of 7/1/2020, 7/1/2019, 7/1/2018, 7/1/2017, 7/1/2016, 7/1/2015 and 7/1/2014.

Schedule of Employer Contributions
ND Teachers' Fund for Retirement
Last 10 Fiscal Years *

	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 248,069	\$ 253,539	\$ 234,271	\$ 232,258	\$ 227,246	\$ 218,681	\$ 216,114
Contributions in relation to the statutorily required contribution	\$ (248,069)	\$ (253,539)	\$ (234,271)	\$ (232,258)	\$ (227,246)	\$ (218,681)	\$ (216,114)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered-employee payroll	\$ 1,945,640	\$ 1,988,540	\$ 1,837,418	\$ 1,821,633	\$ 1,782,325	\$ 1,715,144	\$ 1,695,010
Contributions as a percentage of covered-employee payroll	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%

* Complete data for this schedule is not available prior to 2015.

Data reported is measured as of 7/1/2020, 7/1/2019, 7/1/2018, 7/1/2017, 7/1/2016, 7/1/2015 and 7/1/2014.

Richardton-Taylor Public School District No. 34

Budgetary Comparison Schedule

General Fund

For the year ended June 30, 2021

	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Property Taxes	\$ 1,156,716	\$ 1,156,716	\$ 1,129,895	\$ (26,821)
Oil & Gas Production Taxes	250,000	250,000	566,262	316,262
Tuition Charges	115,000	115,000	169,896	54,896
Fees and Charges	129,750	129,750	42,978	(86,772)
State Aid	3,098,784	3,098,784	2,927,175	(171,609)
Federal Aid	477,060	477,060	645,226	168,166
Earnings on Investments	2,000	2,000	6,695	4,695
TOTAL REVENUES	5,229,310	5,229,310	5,488,127	258,817
EXPENDITURES				
Current:				
Regular Education Programs	1,765,511	1,765,511	1,802,366	(36,855)
Federal Programs	316,459	316,459	297,283	19,176
Instructional Media Service	100,098	100,098	99,599	499
School Board	65,334	65,334	55,380	9,954
Executive Administration	144,869	144,869	155,777	(10,908)
Supportive Service - Business	390,581	390,581	408,049	(17,468)
Operation & Maintenance	583,895	583,895	445,354	138,541
Student Activities	149,069	149,069	134,667	14,402
Student Transportation	396,160	396,160	365,721	30,439
Vocational Education	139,179	139,179	134,951	4,228
Special Education	728,965	728,965	666,102	62,863
Preschool	79,935	79,935	105,875	(25,940)
Food Service	240,747	240,747	247,388	(6,641)
Debt Service:				
Principal	18,594	18,594	16,013	2,581
Interest	-	-	2,581	(2,581)
TOTAL EXPENDITURES	5,119,396	5,119,396	4,937,606	181,790
Excess (Deficiency) of Revenues Over (Under) Expenditures	109,914	109,914	550,521	440,607
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	-	-	(41,790)	(41,790)
Total Other Financing Sources (Uses)	-	-	(41,790)	(41,790)
NET CHANGE IN FUND BALANCES	109,914	109,914	508,731	398,817
Fund Balances - July 1, 2020	1,393,669	1,393,669	1,393,669	-
FUND BALANCES - JUNE 30, 2021	\$ 1,503,583	\$ 1,503,583	\$ 1,902,400	\$ 398,817

Richardton-Taylor Public School District No. 34
Notes to Required Supplementary Information
June 30, 2021

NOTE 1 CHANGES OF ASSUMPTIONS – ND TEACHER’S FUND FOR RETIREMENT

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.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The District adopts an annual budget consistent with accounting principles generally accepted in the United States for the general fund only. The following procedures are used in establishing the budgetary data reflected in the financial statements:

- The annual budget must be prepared and school district taxes must be levied on or before August 10 each year.
- The taxes levied must be certified to the county auditor by October 10.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the business manager at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- The balance of each appropriation becomes a part of the unappropriated fund balance at year-end.

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*

Governing Board
Richardton-Taylor Public School District No. 34
Richardton, 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 Richardton-Taylor Public School District No. 34 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 and have issued our report thereon dated March 11, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Richardton-Taylor Public School District No. 34's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Richardton-Taylor Public School District No. 34's internal control. Accordingly, we do not express an opinion on the effectiveness of Richardton-Taylor Public School District No. 34's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items 2021-001, 2021-002 and 2021-003 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Richardton-Taylor Public School District No. 34's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Richardton-Taylor Public School District No. 34's Response to Findings

Richardton-Taylor Public School District No. 34's responses to the findings identified in our audit are described in the accompanying schedule of findings. Richardton-Taylor Public School District No. 34'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 the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Haga Kommer, Ltd

Haga Kommer, Ltd
Mandan, North Dakota
March 11, 2022

Richardton-Taylor Public School District No. 34

Schedule of Findings

For the Year Ended June 30, 2021

Finding 2021-001: Segregation of Duties

Criteria – A good system of internal accounting control contemplates an adequate segregation of duties so that no individual handles or has access to a transaction from inception to completion.

Condition – The District has lack of segregation of duties in certain areas due to a limited staff.

Cause – There are limited individuals to perform tasks due to the small size of the entity.

Effect – Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely manner by employees in the normal course of performing their assigned functions.

Recommendation – With the limited staff, the most effective controls lie in the board's knowledge of matters relating to the District's operations. Board members should periodically review documentation supporting individual transactions. A policy manual should be formally adopted to address the standards and procedures followed by the School District. The procedures should include, but are not limited to financial procedures, procurement and purchase order processes, and approval and monitoring procedures for student activities.

Management Response – The District is aware of the limitations and will add controls where feasible.

Finding 2021-002: Preparation of Financial Statements

Criteria – Management is responsible for the preparation and fair presentation of the financial statements in conformity with generally accepted accounting principles.

Condition – The financial statements and related notes are prepared by the District's auditors.

Cause – Limited time and resources of the District to prepare the financial statements in the format required by generally accepted accounting principles.

Effect – An increased risk of material misstatement in the District's financial statements.

Recommendation – The board should review the financial statements for accuracy and accept responsibility for the preparation and fair presentation of the GAAP financial statements even if the auditor assisted in drafting the financial statements and notes.

Management Response – The District is aware that someone needs to review the audit report each year to make sure the financial statements and note disclosures are a fair presentation for the District.

Richardton-Taylor Public School District No. 34

Schedule of Findings

For the Year Ended June 30, 2021

Finding 2021-003: Journal Entries

Criteria – The District is required to establish internal controls and procedures which allow it to determine that the general ledger accounts are properly reflected according to generally accepted accounting policies.

Condition – Several journal entries for capital assets and pension adjustments were required to be made during the audit to present accurate financial statements.

Cause – The unrecorded transactions were unusual financial activities for the District.

Effect – The amount of journal entries made has a material effect on the financial statements.

Recommendation – Management should make sure that all financial transactions are recorded throughout the year.

Management Response – Efforts will be made to ensure all activities are properly recorded.