

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Colfax, North Dakota

AUDIT REPORT
Year Ended June 30, 2016

Nadine Julson, LLC

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Colfax, North Dakota

TABLE OF CONTENTS
For the Year Ended June 30, 2016

	<u>Page(s)</u>
Official Directory	1
Independent Auditor's Report	2 – 4
Management Discussion and Analysis	5 – 11
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	12
Statement of Activities	13
Balance Sheet – Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	17
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds	18
Notes to the Financial Statements	19 – 41
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	42
Pension Schedules	43
Notes to the Required Supplementary Information	44
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet- Nonmajor Governmental Funds	45
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds	46

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Table of Contents – Continued

	<u>Page(s)</u>
Statement of Receipts and Disbursements – Activity Fund	47
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	48 – 49
Schedule of Findings and Questioned Costs	50 – 51
Communication Letter	52 – 54

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Colfax, North Dakota

OFFICIAL DIRECTORY
June 30, 2016

President	Lisa Amundson
Vice-President	Dan Haverland
Board Member	Eric Mickelson
Board Member	Melyssa Evanson
Board Member	Heidi Foley
Board Member	Sarah Myers
Board Member	John Flaa
Superintendent	Tim Godfrey
Business Manager	Kendra Dockter

Nadine Julson, LLC
Nadine Julson, Certified Public Accountant

709 Dakota Ave
Wahpeton, ND 58074
(701) 642-8146
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INDEPENDENT AUDITOR'S REPORT

School Board
Richland Public School District No. 44
Colfax, North Dakota 58018

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Richland Public School District No. 44, Colfax, North Dakota, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School 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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Independent Auditor's Report – Continued

OPINIONS

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Richland Public School District No. 44, Colfax, North Dakota, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules on pages 5-12 and pages 46-48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Richland Public School District No. 44's basic financial statements. The combining nonmajor fund financial statements and the statement of receipts and disbursements – activity fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements and statement of receipts and disbursements – activity fund is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining nonmajor fund financial statements and the statement of receipts and disbursements – activity fund are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Independent Auditor's Report – Continued

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, I have also issued a report dated November 15, 2016, on my consideration of the School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Richland Public School District No. 44's internal control over financial reporting and compliance.

Nadine Julson, CPA
NADINE JULSON, LLC
Wahpeton, North Dakota
November 15, 2016

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Colfax, North Dakota

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) of Richland Public School District No. 44's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of the MD&A is to look at the School District's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

The MD&A is an element of the Required Supplementary information specified in the Government Accounting Standards Board's (GASB) Statement No. 34-*Basic Financial Statements- and Management's Discussion and Analysis- For State and Local Governments*. Certain comparative information between the current fiscal year and the prior year is presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2015- 2016 are as follows:

The 2015-2016 school year ended on a positive note. Our general fund carry was higher than expected. This was due to two primary reasons. The first being the budget reductions enacted from the year before. The second, a lower than expected increase in health insurance costs. As a result, Richland School District finished with an ending fund balance of nearly \$9000.

During the summer of 2016, we began construction of a new bus garage. The building can house up to six buses and contains floor heat, unit heating, wash rack, and storage space. It is our prediction that the building will save us expenses related to bus wear and tear in the long run.

USING THIS ANNUAL REPORT

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

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

REPORTING ON THE DISTRICT AS A WHOLE

Statement of Net Position and Statement of Activities

These statements are summaries of all the funds used by the Richland Public School District No. 44 to provide programs and activities and attempt to answer the question "How did the District do financially during the year ended June 30, 2016?"

The Statement of Net Position presents information on all of the School District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Richland Public School District No. 44 is improving or deteriorating.

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

The Statement of Activities presents information showing how the School District's net position changed during the most recent fiscal year. This statement is presented using the accrual basis of accounting, which means that all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes).

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

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

The government-wide financial statements can be found on pages 13-14 of this report.

REPORTING ON THE DISTRICT'S MOST SIGNIFICANT FUNDS

Balance Sheet- Governmental Funds

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

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

The basic government fund financial statements can be found on pages 15-18 of this report.

In addition, the School District has the following fund types:

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

The basic fiduciary fund financial statement can be found on page 19 of this report.

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

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. The notes to the financial statements can be found on pages 50-51 of this report.

The combining statements referred to earlier in connection with nonmajor government funds can be found on pages 45-46 of this report.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table I provides a summary of the School District's net position as of June 30, 2016. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Richland Public School District No. 44, net position increased by \$239,016 for the year ending June 30, 2016.

The School District's net position at June 30, 2016 was \$934,325, which is segregated into three separate categories. Net position invested in capital assets (net of related debt) are not available for future spending. Restricted net position represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted net position is available to meet the School District's ongoing obligations.

Table I
Net Position
June 30, 2016 and 2015

	2016	2015
Assets and Deferred Outflows:		
Current assets	\$ 1,329,419	\$ 1,317,458
Capital assets (net of accumulated depreciation)	9,767,034	9,806,990
Deferred outflows of resources	725,933	220,779
Total assets and deferred outflows	<u>11,822,386</u>	<u>11,345,227</u>
Liabilities and Deferred Inflows:		
Current liabilities	\$ 511,163	\$ 477,272
Long-term liabilities	10,251,027	9,863,800
Deferred inflows of resources	125,871	308,846
Total liabilities and deferred inflows	<u>10,888,061</u>	<u>10,649,918</u>
Net Position:		
Net invested in capital assets	2,739,742	2,367,326
Restricted	400,370	477,534
Unrestricted (deficit)	<u>(2,205,787)</u>	<u>(2,149,551)</u>
Total net position	<u>\$ 934,325</u>	<u>\$ 695,309</u>

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

Table II shows the changes in net position for the fiscal years ended June 30, 2016.

Table II
Changes in Net Position
June 30, 2016 and 2015

	2016	2015
Revenues:		
<u>Program Revenues:</u>		
Charges for services	\$ 122,641	\$ 107,154
Operating grants and contributions	360,023	376,414
<u>General Revenues:</u>		
Property taxes	1,218,442	1,189,111
State Aid - unrestricted	2,595,716	2,641,752
Interest earnings and miscellaneous revenue	17,587	31,233
Total revenues	4,314,409	4,345,664
Expenses:		
Regular instruction	2,175,732	1,865,821
Special instruction	261,174	387,332
Vocational education	225,741	216,265
Pupil services	118,473	94,436
General administration services	129,999	213,740
School administration services	149,263	66,216
Operation and maintenance	345,806	482,935
Pupil transportation	189,681	198,567
Student activities	178,386	169,169
School food services	155,874	169,366
Interest and other charges	145,264	148,910
Total expenses	4,075,393	4,012,757
Net change in Net Position	\$ 239,016	\$ 332,907

Unrestricted state aid constituted 60.2%, property taxes 28.2%, operating grants and contributions 8.3%, and charges for services made up 2.8% of the total revenues of governmental activities of the School District for fiscal year 2015-2016.

Regular instruction constituted 53.4%, operation & maintenance of plant 8.5%, special instruction 6.4%, and vocational education 5.5% of total expenditures for governmental activities during fiscal year 2015-2016.

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

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

Table III
Total and Net Cost of Services
For the Years Ended June 30, 2016 and 2015

	Total Cost		Net Cost (Revenue)	
	2016	2015	2016	2015
Regular instruction	\$ 2,175,732	\$ 1,865,821	\$ 2,037,983	\$ 1,728,725
Special instruction	261,174	387,332	261,174	387,332
Vocational education	225,741	216,265	208,829	212,321
Pupil services	118,473	94,436	118,473	94,436
General administration services	129,999	213,740	129,999	213,740
School administration services	149,263	66,216	149,263	66,216
Operation and maintenance	345,806	482,935	345,806	456,103
Pupil transportation	189,681	198,567	17,272	34,490
Student activities	178,386	169,169	178,386	169,169
School food services	155,874	169,366	280	17,747
Interest and other charges	145,264	148,910	145,264	148,910
Total expenses	\$ 4,075,393	\$ 4,012,757	\$ 3,592,729	\$ 3,529,189

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

The School District's governmental funds had total revenue of \$4,300,154 and expenditures of \$4,219,082 for the year ended June 30, 2016. As of June 30, 2015, the unassigned fund balance of the School District's general fund was \$939,048.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, revenues were more than budgetary estimates by \$49,061, expenditures were less than budgetary estimates by \$121,656, and the ending fund balance was more than budgetary estimates by \$170,717. Revenues exceed budgetary estimates by \$24,434 from federal sources and \$16,912 from state sources. Expenditures were lower than budgetary estimates due largely to lower utility costs for operations and lower salary costs for instructors in regular and special education programs.

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

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

CAPITAL ASSETS

As of June 30, 2016, the Richland Public School District No. 44 had \$9,767,034 invested in capital assets. Table IV shows the balances as of June 30, 2016 and 2015.

Table IV
Capital Assets
 (Net of Accumulated Depreciation)
 June 30, 2016 and 2015

	2016	2015
Land	\$ 92,000	\$ 92,000
Construction in process	183,000	-
Buildings	9,318,704	9,566,273
Vehicles	158,480	124,882
Equipment	14,851	23,835
Total capital assets (Net of accumulated depreciation)	<u>\$ 9,767,034</u>	<u>\$ 9,806,990</u>

This total represents a net decrease of \$39,956 in capital assets from July 1, 2015. For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 8 of the audited financial statements that follow this analysis.

DEBT ADMINISTRATION

As of June 30, 2016, the Richland Public School District No. 44 had \$7,027,291 of total debt, a decrease of \$412,373 over the prior fiscal year.

Table V
Outstanding Debt
 June 30,

	Total Outstanding		Due within one year	
	2016	2015	2016	2015
State construction fund bonds, Series 2000	\$ 185,520	\$ 229,031	\$ 44,630	\$ 43,512
State construction fund bonds, Series 2013	3,701,771	3,900,633	200,851	198,862
\$1,100,000 general obligation bonds	1,050,000	1,100,000	115,000	-
\$725,000 refunding obligation bonds	485,000	605,000	120,000	120,000
\$1,605,000 general obligation bonds	1,605,000	1,605,000	-	-
Total outstanding debt	<u>\$ 7,027,291</u>	<u>\$ 7,439,664</u>	<u>\$ 480,481</u>	<u>\$ 362,374</u>

For additional information regarding the outstanding debt, readers are referred to Note 11 of the audited financial statements that follow this analysis.

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

FOR THE FUTURE

Enrollment has decreased slightly due to families moving out of the district. The overall district budget was not affected greatly due to cost saving measures put into place. Upper grades in high school have decreased slightly but elementary grades, especially kindergarten and preschool, have increased. It is predicted that several teachers will retire over the next few years. When this has come to fruition, the district will implement hiring procedures to continually save costs.

Title I funding stayed steady. The district applied for and was granted reallocated Title funds which was used directly to support salary and benefits for preschool. With ESSA, it is believed that Title funding will at least stay the same if not go up over the next several years.

The district has applied for and was awarded several grants that helped support technology and staff development. This gave us much needed training and assisted in the conversion to a 1:1 technology district.

During the 2016-2017, enrollment in both kindergarten and preschool increased. This increase caused the district to hire another kindergarten teacher and increase the preschool FTE to 1.0. Richland School District also hired a part-time Spanish teacher. This teacher is responsible for three sections of Spanish. This has added a much need experience for our students and they seem to enjoy the opportunity.

Richland School District will continue to implement 1:1 technology and has plans to outfit 7-12 with chrome books by the 2017-2018 school year. For the 2016-2017 school year, we piloted 1:1 technology with 11th grade and 6th grade. Student have expressed their appreciation for the change and teachers say that it is helping with many aspects of their education.

Richland will be implementing projects based learning of the next two years. This will reshape how instruction is delivered and how students show mastery. The premise is that students will be learning as the design and create projects related to the topics being discussed. This is a research-based approach to supporting the development of useable skills needed to be successful in post-school life.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Colfax, North Dakota

STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities
<u>ASSETS:</u>	
Cash	\$ 1,176,459
Accounts receivable	363
Due from county	42,668
Due from federal government	54,164
Due from state government	-
Taxes receivable	55,765
Capital assets (not being depreciated):	
Land	92,000
Construction in process	183,000
Capital assets (being depreciated):	
Buildings	9,318,704
Vehicles	158,480
Equipment	14,851
Total capital assets	9,767,034
Total assets	11,096,453
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>	
Deferred outflow related to pensions	725,933
Total assets and deferred outflows of resources	11,822,386
<u>LIABILITIES:</u>	
Interest payable	30,682
Current portion of long-term debt:	
General obligation bonds payable	235,000
State School construction bonds payable	245,481
Due after one year:	
General obligation bonds payable	2,905,000
State School construction bonds payable	3,641,810
Net pension liability	3,624,897
Sick and severance payable	79,320
Total liabilities	10,762,190
<u>DEFERRED INFLOWS OF RESOURCES:</u>	
Deferred inflow related to pensions	125,871
Total liabilities and deferred inflows of resources	10,888,061
<u>NET POSITION:</u>	
Net investment in capital assets	2,739,742
Restricted:	
Debt Service	261,196
Special reserve	136,718
Food service	2,456
Unrestricted (deficit)	(2,205,787)
Total net position	\$ 934,325

See Accompanying Notes to Financial Statements

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44

Colfax, North Dakota

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities:				
Regular instruction	\$ 2,175,732	\$ 36,094	\$ 101,655	\$ 2,037,983
Special instruction	261,174	-	-	261,174
Vocational education	225,741	-	16,912	208,829
Pupil services	118,473	-	-	118,473
General administration services	129,999	-	-	129,999
School administration services	149,263	-	-	149,263
Operation and maintenance	345,806	-	-	345,806
Pupil transportation	189,681	-	172,409	17,272
Student activities	178,386	-	-	178,386
School food services	155,874	86,547	69,047	280
Interest and other charges	145,264	-	-	145,264
Total governmental activities	\$ 4,075,393	\$ 122,641	\$ 360,023	(3,592,729)
General Revenues:				
Taxes:				
				1,118,807
				99,635
				2,595,716
				1,469
				16,118
				<u>3,831,745</u>
				239,016
				<u>695,309</u>
				<u>\$ 934,325</u>

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Colfax, North Dakota
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2016

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General	Debt Service		
ASSETS:				
Cash	\$ 783,867	\$ 250,809	\$ 141,783	\$ 1,176,459
Accounts receivable	363	-	-	363
Due from county	21,205	17,752	3,711	42,668
Due from federal government	53,613	-	551	54,164
Due from other funds	80,000	-	-	80,000
Taxes receivable	27,615	23,317	4,833	55,765
Total assets	<u>\$ 966,663</u>	<u>\$ 291,878</u>	<u>\$ 150,878</u>	<u>\$ 1,409,419</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
LIABILITIES:				
Due to other funds	-	-	80,000	80,000
Total liabilities	-	-	80,000	80,000
DEFERRED INFLOWS OF RESOURCES:				
Uncollected taxes receivable	27,615	23,317	4,833	55,765
Total liabilities and deferred inflows of resources	27,615	23,317	84,833	135,765
FUND BALANCE:				
Restricted:				
Debt Service	-	268,561	-	268,561
Special reserve	-	-	136,488	136,488
Assigned to:				
Food service	-	-	2,456	2,456
Unassigned to:				
Building fund	-	-	(72,899)	(72,899)
General fund	939,048	-	-	939,048
Total fund balances	<u>939,048</u>	<u>268,561</u>	<u>66,045</u>	<u>1,273,654</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 966,663</u>	<u>\$ 291,878</u>	<u>\$ 150,878</u>	<u>\$ 1,409,419</u>

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44

Colfax, North Dakota

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

June 30, 2016

Total Fund Balances - Governmental Fund	\$	1,273,654
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The net position reported for governmental activities in the statement of net position is different because:

- | | | |
|---|--|-----------|
| 1) Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. | | 9,752,183 |
| 2) Accumulated depreciation has not been included in the governmental fund financial statements. | | 14,851 |
| 3) Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenue in the funds. | | 55,765 |
| 4) Long-term liabilities applicable to the School District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term are reported in the statement of net assets. | | |

Interest payable	(30,681)	
General obligation bonds payable	(3,140,000)	
State School construction payable	(3,887,291)	
Pension liability, net of related deferred outflows and inflows	(3,024,835)	
Sick and severance payable	<u>(79,320)</u>	<u>(10,162,127)</u>
Net Position of Governmental Activities		<u>\$ 934,325</u>

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44

Colfax, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2016

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General	Debt Service		
REVENUES:				
Local sources	\$ 642,854	\$ 494,136	\$ 189,838	\$ 1,326,828
State sources	2,785,037	-	1,880	2,786,917
Federal sources	101,655	-	67,167	168,822
Interest income	1,467	-	2	1,469
Miscellaneous	12,618	-	3,500	16,118
Total revenues	3,543,631	494,136	262,387	4,300,154
EXPENDITURES:				
Current:				
Regular instruction	1,712,063	-	-	1,712,063
Special instruction	260,961	-	-	260,961
Vocational education	224,037	-	-	224,037
Pupil services	118,473	-	-	118,473
General administration services	126,034	-	-	126,034
School administration services	149,263	-	-	149,263
Operation and maintenance	313,155	-	35,161	348,316
Pupil transportation	233,615	-	-	233,615
Student activities	154,204	-	-	154,204
School food services	-	-	153,139	153,139
Debt Services:				
Principal	-	412,373	-	412,373
Interest and other charges	-	146,114	-	146,114
Capital Outlay:				
Facilities acquisition and construction	-	-	180,490	180,490
Total expenditures	3,291,805	558,487	368,790	4,219,082
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	251,826	(64,351)	(106,403)	81,072
OTHER FINANCING SOURCES (USES):				
Operating transfer in	-	-	16,853	16,853
Operating transfer out	(16,853)	-	-	(16,853)
Total other financing sources (uses)	(16,853)	-	16,853	-
NET CHANGE IN FUND BALANCE	234,973	(64,351)	(89,550)	81,072
FUND BALANCE, BEGINNING OF YEAR	704,075	332,912	155,595	1,192,582
FUND BALANCE, END OF YEAR	\$ 939,048	\$ 268,561	\$ 66,045	\$ 1,273,654

See Accompanying Notes to Financial Statements

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44

Colfax, North Dakota

**RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

Total Net Change in Fund Balances - Governmental Funds	\$	81,072
The change in net position reported for governmental activities in the statement of activities is different because:		
1) Current year long-term debt principal payments reported as expenditures in the governmental fund financial statements are shown as reductions in debt in the statement of net assets.		412,373
2) Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.		
Net increase in sick and severance pay	(11,470)	
Net increase in pension liability	(218,108)	
Net decrease in interest payable	850	(228,728)
3) Current year outlays are expenditures in the governmental fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements.		260,872
4) Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial assets. The effect of the current year's depreciation is to decrease net assets.		(300,828)
5) Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of an increase in taxes receivable.		14,255
Change in Net Position - Governmental Activities	\$	239,016

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44

Colfax, North Dakota

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

FIDUCIARY FUNDS

June 30, 2016

	<u>Agency Funds</u>
ASSETS:	
Cash and investments	\$ 97,419
Due from other funds	<u>717</u>
Total assets	<u>\$ 98,136</u>
LIABILITIES:	
Note payable	\$ 49,405
Due to groups	<u>48,731</u>
Total liabilities	<u>\$ 98,136</u>

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Colfax, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

B. Government-Wide and Fund Financial Statements

Government-wide statements - The statement of net position and the statement of activities are government-wide financial statements. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

The School District reports the following major governmental funds:

1. General Fund – The general fund is the School District’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. Capital Projects Fund – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Additionally, the School District reports the following fund type(s):

1. Governmental Funds:
 - a) Food Service Fund – The School District accounts for its food service activity in this special revenue fund.
 - b) Debt Service Fund – The School District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
 - c) Special Reserve Fund – The School District accounts for resources restricted to, or designated for, specific purposes by the School District, in the special reserve fund.
2. Fiduciary Funds;
 - a) Agency Funds – The School District accounts for resources held for others in a custodial capacity in agency funds. The School District’s agency fund is the student activity fund.

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

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

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

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

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

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

D. Cash

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

E. Capital Assets

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

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

Asset Class	Useful Life
Building	50
Playground equipment/parking lot	25
School busses	10
Other vehicles	10
Office equipment	8-10
Other equipment	8

F. Vacation Pay, Sick Pay and Severance Pay

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

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

G. Long-Term Obligations

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

H. Fund Balances / Net Position

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

Fund Balance Spending Policy:

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

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

GASB Statement No. 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

CLASSIFICATION	DEFENITION	EXAMPLES
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables, endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either: (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constrains imposed by formal action of the government's highest level of decision making authority, the School District Board of Directors. Formal action is required to establish, modify, or take a fund balance commitment.	By board action, construction, claims and judgements, retirements of loans and notes payable, capital expenditures and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the business manager.	By business manager action, construction, claims and judgements, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance. (b) A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.	Available for any remaining general fund expenditure.

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

Restricted Fund Balances – consist of the following items at June 30, 2016:

Special Reserve Fund— (restricted by enabling legislation-tax levy) Fund used for special uses as restricted by state law. In accordance with NDCC 57-19-01, the ending fund balance is limited to the amount generated by fifteen (15) mills times the taxable valuation of the School District.

Debt Service Fund— (major fund - restricted by enabling legislation-tax levy & bond indenture) Bond payments restricted by bond indenture and specified tax levies reported in the debt service funds.

Assigned Fund Balances- consist of the following item at June 30, 2016:

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

Unassigned Fund Balances:

Consists of the amount reported in the General Fund at year end totaling \$939,048, and to report the negative fund balance in the Capital Projects Fund (\$72,899).

Net Position:

The Richland Public School District implemented the provisions of GASB Statement No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position during the year ended June 30, 2016.

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

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

Restrictions of net position, shown in the Statement of Net Position, are due to restricted tax levies and bond indenture capital construction requirements for capital projects and special purposes.

Unrestricted net position is primarily unrestricted amounts related to the general fund and any negative fund balances. The unrestricted net position is available to meet the School District's ongoing obligations.

I. Pensions:

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

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

J. Interfund Transactions

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

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

K. Subsequent Events

Subsequent events have been evaluated through November 15, 2016, the date the financial statements were available to be issued.

NOTE 2 – LEGAL COMPLIANCE – BUDGETS

Excess of Expenditures over Appropriations in Individual Funds – The general fund expenditures did not exceed appropriations.

NOTE 3 – DEPOSITS AND INVESTMENTS

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

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

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

At year ended June 30, 2016, the School District's carrying amount of deposits was \$1,176,459 and the bank balances were \$1,711,189. Of the bank balances, \$500,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by pledging financial institution's agent in the government's name.

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

Credit Risk:

The School 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 insurance corporation.
- D. Obligations of the state.

As of June 30, 2016, the School District held no certificates of deposits.

Interest Rate Risk:

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

Concentration of Credit Risk:

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

NOTE 4 – TAXES RECEIVABLE

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

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material tax collections are distributed after the end of each month. Property taxes are levied as of January 1.

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

NOTE 5 – ACCOUNTS RECEIVABLE

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

NOTE 6 – DUE FROM COUNTY TREASURER

Due from county represents the amount collected prior to year-end by Richland County that remain on hand at the county that are distributed to the School District shortly after June 30, 2016.

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

NOTE 7 – DUE FROM FEDERAL GOVERNMENT

The amount due from federal government consists reimbursement claims various federal title programs. These claims are passed through the state.

NOTE 8 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2016:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 92,000	\$ -	\$ -	\$ 92,000
Construction in process	-	183,000	-	183,000
Total capital assets, not being depreciated	92,000	183,000	-	275,000
<i>Capital assets, being depreciated:</i>				
Buildings	13,086,561	-	-	13,086,561
Vehicles	573,398	77,872	-	651,270
Equipment	106,644	-	-	106,644
Total capital assets, being depreciated	13,766,603	77,872	-	13,844,475
Less accumulated depreciation for:				
Buildings	3,520,288	247,569	-	3,767,857
Vehicles	448,516	44,275	-	492,790
Equipment	82,809	8,984	-	91,793
Total accumulated depreciation	4,051,613	300,828	-	4,352,441
Total capital assets being depreciated, net	9,714,990	(222,956)	-	9,492,034
Governmental Activities capital assets, net	<u>\$ 9,806,990</u>	<u>\$ (39,956)</u>	<u>\$ -</u>	<u>\$ 9,767,034</u>

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

<u>Governmental Activities:</u>	<u>Amounts</u>
Regular instruction	\$ 234,091
General administration	3,965
Food Service	2,735
Transportation	33,938
Activity	24,182
Vocational education	1,704
Special education	213
Total Depreciation Expense - Governmental Activities	<u>\$ 300,828</u>

NOTE 9 – ACCOUNTS PAYABLE

Accounts payable consists of amounts owed for goods and services received prior to or owed to taxing authorities at June 30, 2016 and chargeable to the appropriations for the year then ended, but paid subsequent to that date.

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

NOTE 10 – EARLY RETIREMENT PROGRAM

The School District has established an early retirement program to provide an opportunity for certain employees who may desire to retire early from the service of the School District, but who may or may not have reached the normal retirement age.

An employee, who has met the early retirement criteria, as established by the School District, may make an application at any time before February first of the calendar year in which the person plans to retire. The School Board will act on early retirement requests no later than April 14, of the same year. The School Board's decision will be final.

The amount of the early retirement benefits is based on a proportion of the staff member's current annual salary at the time the application is made. The benefits will be paid according to the schedule selected by the employee. As of June 30, 2016, early retirement benefit liability was \$ 0.

NOTE 11 – LONG-TERM DEBT

During the year ended June 30, 2016, the following changes occurred in liabilities reported in long-term liabilities:

Governmental Activities:

	Long-term debt payable at July 1, 2015	Debt issued	Debt Retired	Long-term debt payable at June 30, 2016	Due within one year
Bonds	\$ 7,439,664	\$ -	\$ 412,373	\$ 7,027,291	\$ 480,481
Sick Pay*	67,850	11,470	-	79,320	-
Total	<u>\$ 7,507,514</u>	<u>\$ 11,470</u>	<u>\$ 412,373</u>	<u>\$ 7,106,611</u>	<u>\$ 480,481</u>

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

Outstanding debt at June 30, 2016, is comprised of the following individual issues:

A. State Construction Fund Bonds, Series 2013 - From an original issuance of \$4,292,470 at an interest rate of 1%, \$3,701,771 remains outstanding. The principal and interest payable through June 1, 2033.

B. State Construction Fund Bonds, Series 2000 - From an original issuance of \$765,000 at an interest rate of 2.57%, \$185,520 remains outstanding. The principal and interest are payable through June 1, 2020.

C. \$1,100,000 General Obligation Refunding Bonds - From an original issuance of \$1,100,000, at rates of 2.30% to 3.60%, \$1,050,000 remain outstanding. The principal and interest are payable through May 1, 2019.

D. \$725,000 General Obligation Refunding Bonds - From an original issuance of \$725,000, at rates of 1% to 1.65%, \$485,000 remains outstanding. The principal and interest are payable through February 1, 2019.

E. \$1,605,000 General Obligation School Building Bonds - From an original issuance of \$1,605,000, at rates of 3.0% to 4.0%, all bonds remain outstanding. The principal and interest are payable through August 1, 2033.

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

The debt service requirements are as follows:

North Dakota State Construction Fund Bonds, Series 2013

(Dated August 1, 2013, Due annually to June 1, 2033)

(Interest paid annually on June 1st)

<u>Maturity Date</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
6/1/2017	1.00%	\$ 200,851	\$ 37,018	\$ 237,869
6/1/2018	1.00%	202,859	35,010	237,869
6/1/2019	1.00%	204,888	32,981	237,869
6/1/2020	1.00%	206,937	30,932	237,869
6/1/2021	1.00%	209,006	28,862	237,869
6/1/2022	to 1.00%			
6/1/2026	1.00%	1,076,804	112,540	1,189,344
6/1/2027	to 1.00%			
6/1/2031	1.00%	1,131,731	57,612	1,189,343
6/1/2032	1.00%	233,182	4,687	237,869
6/1/2033	1.00%	235,513	2,355	237,869
		<u>\$ 3,701,771</u>	<u>\$ 341,997</u>	<u>\$ 4,043,769</u>

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

North Dakota State Construction Fund Bonds, Series 2000

(Dated May 24, 2000, Due annually to June 1, 2020)

(Interest paid annually on June 1st)

<u>Maturity Date</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
6/1/2017	2.57%	\$ 44,630	\$ 4,768	\$ 49,398
6/1/2018	2.57%	45,777	3,621	49,398
6/1/2019	2.57%	46,953	2,446	49,398
6/1/2020	2.57%	48,160	1,238	49,398
		<u>\$ 185,520</u>	<u>\$ 12,073</u>	<u>\$ 197,592</u>

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

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

\$1,100,000 General Obligation Refunding Bonds of 2011

(Dated May 4, 2011, Due serially to May 1, 2023)
(Interest paid semiannually on November 1st and May 1st)

<u>Maturity Date</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
11/1/2016		\$ -	\$ 16,173	\$ 16,173
5/1/2017	2.30%	115,000	16,172	131,172
11/1/2017		-	14,850	14,850
5/1/2018	2.60%	120,000	14,850	134,850
11/1/2018		-	13,290	13,290
5/1/2019	2.80%	125,000	13,290	138,290
11/1/2019		-	11,540	11,540
5/1/2020	3.00%	125,000	11,540	136,540
11/1/2020	to 3.25%			
5/1/2023	to 3.60%	565,000	39,830	604,830
		<u>\$ 1,050,000</u>	<u>\$ 151,535</u>	<u>\$ 1,201,535</u>

The bonds maturing in the years May 1, 2017 and thereafter are subject to optional redemption on May 1, 2016, and any date thereafter at a price of par plus accrued interest to the redemption date.

\$725,000 General Obligation Refunding Bonds

(Dated September 10, 2013, Due serially to August 1, 2019)
(Interest paid semiannually on August and February 1st)

<u>Maturity Date</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
8/1/2016	1.00%	\$ 120,000	\$ 3,094	\$ 123,094
2/1/2017		-	2,494	2,494
8/1/2017	1.10%	120,000	2,494	122,494
2/1/2018		-	1,834	1,834
8/1/2018	1.35%	125,000	1,834	126,834
2/1/2019		-	990	990
8/1/2019	1.65%	120,000	990	120,990
		<u>\$ 485,000</u>	<u>\$ 13,730</u>	<u>\$ 498,730</u>

The bonds are not subject to redemption prior to their stated maturities.

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

\$1,605,000 General Obligation School Building Bonds
(Dated September 10, 2013, Due serially to August 1, 2033)
(Interest paid semiannually on August and February 1st)

<u>Maturity Date</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
8/1/2016		\$ -	\$ 29,619	\$ 29,619
2/1/2017		-	29,619	29,619
8/1/2017		-	29,619	29,619
2/1/2018		-	29,619	29,619
8/1/2018		-	29,619	29,619
2/1/2019		-	29,619	29,619
8/1/2019		-	29,619	29,619
2/1/2020		-	29,619	29,619
8/1/2020		-	29,619	29,619
2/1/2021		-	29,619	29,619
8/1/2021	to			
2/1/2026		280,000	287,718	567,718
8/1/2026	to 3.00%			
2/1/2031	3.70%	780,000	186,574	966,574
8/1/2031	to			
8/1/2033	4.00%	545,000	33,300	578,300
		<u>\$ 1,605,000</u>	<u>\$ 803,781</u>	<u>\$ 2,408,781</u>

The bonds are not subject to optional redemption on August 1, 2021 and any date thereafter at a price of par plus accrued interest to the redemption date.

NOTE 12 – DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the fund financial statements consist of amounts for which asset recognition criteria have been met. Under the modified accrual basis of accounting, such amounts are measurable but not available and include taxes receivables of \$55,765. Deferred inflows of resources on the statement of net position consist of related pension expense of \$125,871.

NOTE 13 – DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources in the fund financial statements consist of amounts for which liability recognition criteria have been met, but for which expense recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. Deferred outflows of resources on the statement of net position consist of related pension expense of \$725,933.

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

NOTE 14 -- TRANSFERS

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ (16,853)
Food Service Fund	6,853	-
Building Fund	10,000	-
Total	<u>\$ 16,853</u>	<u>\$ (16,853)</u>

NOTE 15 – RISK MANAGEMENT

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

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

The School District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The School District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of \$2,000,000 per occurrence during a twelve-month period. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$1,700,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The School District participates in the North Dakota Workforce Safety & Insurance and purchases commercial insurance for employee health, boiler and machinery insurance.

Settled claims resulting from these above risks have not exceeded insurance coverage in any of the past three fiscal years.

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. During the year ended June 30, 2016, no claims for unemployment benefits.

NOTE 16 -- PENSION PLANS

General Information about the TFFR Pension Plan

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.

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

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

Pension Benefits

For the purpose 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 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 equals 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 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 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 has 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.

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

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 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 for age and uses the member's actual years of credited service. There is no actuarial reduction for reason of disability retirement.

Member and Employer Contributions

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

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70 ½. 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, 2016, Richland Public School District reported a liability of \$3,335,122 for its proportionate share of the net pension liability. The net pension liability was measured as of 11/23/2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employees. At 11/23/2015 the School District's proportion was 0.25507% which was a decrease of .003993% from its proportion measured as of 4/10/2015.

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

For the year ended June 30, 2016, the School District recognized pension expenses of \$213,874. At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,855	\$ -
Changes in assumptions	374,477	-
Net difference between projected and actual investment earnings	-	37,608
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	44,211
Employer contributions subsequent to the measurement date	184,689	-
Total	\$ 581,021	\$ 81,819

\$184,689 reported as deferred outflows of resources related to pensions resulting from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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

Year ended June 30:	
2017	\$ 30,880
2018	30,880
2019	30,880
2020	106,767
2021	59,254
Thereafter	55,852

Actuarial assumptions

The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in measurement:

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

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

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

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

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

- Investment return assumption lowered from 8.00% to 7.75%.
- Inflation assumption lowered from 3.00% to 2.75%.
- Total salary scales rates lowered by 0.25% due to lower inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	57%	7.5%
Global Fixed Income	22%	1.3%
Global Real Assets	20%	5.4%
Cash Equivalents	1%	0.0%

Discount Rate

The discount rate used to measure the total pension liability was 7.75% as of June 30, 2015. 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, 2015, 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, 2015. 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, 2015. The discount rate used to measure the total pension liability changed from 8.00% to 7.75% based on the investment return assumption change as a result of the April 30, 2015 actuarial experience study.

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

Sensitivity of the School District’s proportionate share of the net pension liability to changes in the discount rate

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District’s Proportionate Share of the Net Pension Liability	\$4,407,522	\$3,335,122	\$2,440,764

Pension plan fiduciary net position

Detailed information is located in the North Dakota Retirement and Investments Office’s Comprehensive Annual Financial Report the for the fiscal year ended June 30, 2015. Additional financial and actuarial information is available on their website, www.nd.gov/rio, or may be obtained by writing to RIO at ND Retirement and Investment Office, 1930 Burnt Boat Drive, PO Box 7100, Bismarck, North Dakota, 58507-7100 or by calling (701) 328-9885.

General Information about the NDPERS Pension Plan

North Dakota Public Employee’s Retirement System

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

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees. Effective July 1, 2015, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

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

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

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

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

At June 30, 2016, the District reported a liability of \$289,775 for its proportionate share of the net pension liability. The net pension liability was measured as of May 4, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School Board's proportion of the net pension liability was based on the School Board's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2016, the School District's proportion was 0.042615%.

For the year ended June 30, 2016, the Richland Public School District No. 44 recognized pension expense of \$23,465. At June 30, 2016, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 8,407
Changes in assumptions	25,818	-
Net difference between projected and actual investment earnings	39,600	33,483
Changes in proportion and differences between employer contributions and proportionate share of contributions	22,870	2,162
Employer contributions subsequent to the measurement date	56,624	-
Total	<u>\$ 144,912</u>	<u>\$ 44,052</u>

\$56,624 reported as deferred outflows of resources related to pensions resulting from School Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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

Year ended June 30:	
2017	\$(12,004)
2018	(12,004)
2019	(12,004)
2020	636
2021	(8,853)
Thereafter	-

Actuarial assumptions

The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	4.50% per annum
Investment rate of return	8.00%, net of investment expense
Cost-of-living adjustments	None

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

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

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2015, funding actuarial valuation for NDPERS.

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scales, and percent married assumption.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.52%
International Fixed Income	5%	0.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

Discount rate

The discount rate used to measure the total pension liability was 8.00% as of June 30, 2015. 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, 2015, 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, 2015. 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, 2015.

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

Sensitivity of the School Board’s proportionate share of the net pension liability to changes in the discount rate

The following presents the School board’s proportionate share of the net pension liability calculated using the discount rate of 8.00%, as well as what the School Board’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
School District’s Proportionate Share of the Net Pension Liability	\$4,407,522	\$3,335,122	\$2,440,764

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued NDPERS financial report. It is located in the North Dakota Public Employees Retirement System Comprehensive Annual Financial report for the fiscal year ended June 30, 2015. The supporting actuarial information is included in the June 30, 2015, GASB Statements No. 67 and 68 Accounting and Financial Reporting for Pensions actuarial valuation for each retirement plan. Additional financial and actuarial information is available on their website, www.nd.gov/ndpers, or may be obtained by contacting the agency at North Dakota Public Employees Retirement System, 400 E Broadway Ave Suite 505, P.O. Box 1657, Bismarck, ND, 58502-1657 or by calling (701) 328-3900.

NOTE 17 - JOINT VENTURE

The School District participates in the following joint ventures:

A. South Valley Multi-District Special Education Unit - Formed for the purpose of providing special education services to the member school districts.

The Co-op's governing board is composed of ten representatives from the member school districts, who are superintendents. The Board is responsible for adopting the Co-op's budget and setting service fees at a level adequate to fund the adopted budget.

The School District retains no equity in the net assets of the Co-op, but does have a responsibility to fund deficits of the Co-op in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from South Valley Multi-District Special Education Unit.

B. Southeast Region Career and Technology Center - Formed for the purpose of providing vocational services to the member school districts.

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

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

NOTE 18 – COMMITTED CONTRACTS

As of June 30, 2016, the School District owed approximately \$56,400 for construction costs on a bus barn.

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Colfax, North Dakota
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Local sources	\$ 648,224	\$ 648,224	\$ 642,854	\$ (5,370)
State sources	2,768,125	2,768,125	2,785,037	16,912
Federal sources	77,221	77,221	101,655	24,434
Interest income	1,000	1,000	1,467	467
Miscellaneous	-	-	12,618	12,618
Total revenues	<u>3,494,570</u>	<u>3,494,570</u>	<u>3,543,631</u>	<u>49,061</u>
EXPENDITURES:				
Current:				
Regular programs	1,737,903	1,737,903	1,712,063	25,840
Special education	299,083	299,083	260,961	38,122
Vocational education	228,945	228,945	224,037	4,908
Pupil services	115,255	115,255	118,473	(3,218)
General administration services	126,400	126,400	126,034	366
School administration services	158,550	158,550	149,263	9,287
Operation and maintenance	353,925	353,925	313,155	40,770
Pupil transportation	233,100	233,100	233,615	(515)
Student activities	160,300	160,300	154,204	6,096
Total expenditures	<u>3,413,461</u>	<u>3,413,461</u>	<u>3,291,805</u>	<u>121,656</u>
REVENUES OVER EXPENDITURES	81,109	81,109	251,826	170,717
OTHER FINANCING USES;				
Net operating transfer out	<u>(16,853)</u>	<u>(16,853)</u>	<u>(16,853)</u>	<u>-</u>
NET CHANGE IN FUND				
BALANCE	64,256	64,256	234,973	170,717
FUND BALANCE, BEGINNING				
OF YEAR	<u>704,075</u>	<u>704,075</u>	<u>704,075</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 768,331</u>	<u>\$ 768,331</u>	<u>\$ 939,048</u>	<u>\$ 170,717</u>

Note 1 - There is not a difference between Budget and GAAP since the budget is prepared on the modified accrual basis of accounting.

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Colfax, North Dakota

PENSION SCHEDULES
June 30, 2016

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

District's proportion of the net pension liability (asset)	.255070%
District's proportionate share of the net pension liability (asset)	\$3,335,122
District's covered-employee payroll	\$1,568,558
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	212.62%
Plan fiduciary net position as a percentage of the total pension liability	62.10%

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

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

Statutorily required contribution	\$199,982
Contributions in relation to the statutorily required contribution	\$(199,982)
Contribution deficiency (excess)	\$ -
Employer's covered-employee payroll	\$1,568,558
Contributions as a percentage of covered-employee payroll	12.75%

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

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

District's proportion of the net pension liability (asset)	.042615%
District's proportionate share of the net pension liability (asset)	\$289,775
District's covered-employee payroll	\$379,645
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	76.33%
Plan fiduciary net position as a percentage of the total pension liability	77.15%

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

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

Statutorily required contribution	\$28,837
Contributions in relation to the statutorily required contribution	\$(31,433)
Contribution deficiency (excess)	\$(2,596)
Employer's covered-employee payroll	\$379,645
Contributions as a percentage of covered-employee payroll	8.28%

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

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Colfax, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016

NOTE 1 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

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

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

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

NOTE 2 – PENSIONS – CHANGES OF ASSUMPTIONS

ND Teachers' Fund for Retirement (TFFR)

Amounts reported in 2016 reflect the following actuarial assumption changes effective July 1, 2015 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.

ND Public Employees Retirement System (NDPERS)

Amounts reported in 2016 reflect actuarial assumption changes effective July 1, 2015 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Colfax, North Dakota
COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2016

	Capital Projects Building Fund	Special Revenue Special Reserve	Special Revenue Food Service	Total Nonmajor Governmental Funds
ASSETS:				
Cash and investments	\$ 3,567	\$ 136,311	\$ 1,905	\$ 141,783
Due from state government	-	-	-	-
Due from county	3,534	177	-	3,711
Due from federal government	-	-	551	551
Due from other funds	-	-	-	-
Taxes receivable	4,603	230	-	4,833
Total assets	\$ 11,704	\$ 136,718	\$ 2,456	\$ 150,878
LIABILITIES, DEFERRED INFLOWS OF SOURCES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	80,000	-	-	80,000
Total liabilities	80,000	-	-	80,000
DEFERRED INFLOWS OF RESOURCES:				
Uncollected taxes receivable	4,603	230	-	4,833
Total liabilities and deferred inflows of resources	84,603	230	-	84,833
FUND BALANCE:				
Restricted:				
Special reserve	-	136,488	-	136,488
Assigned to:				
Food service	-	-	2,456	2,456
Unassigned to:				
Building fund	(72,899)	-	-	(72,899)
Total fund balances (deficit)	(72,899)	136,488	2,456	66,045
Total liabilities, deferred inflows of resources and fund balances	\$ 11,704	\$ 136,718	\$ 2,456	\$ 150,878

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Colfax, North Dakota

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2016

	Capital Projects Building Fund	Special Revenue Special Reserve	Special Revenue Food Service	Total Nonmajor Governmental Funds
REVENUES:				
Local sources	\$ 98,367	\$ 4,923	\$ 86,548	\$ 189,838
State sources	-	-	1,880	1,880
Federal sources	-	-	67,167	67,167
Interest income	-	2	-	2
Miscellaneous	3,500	-	-	3,500
Total revenues	101,867	4,925	155,595	262,387
EXPENDITURES:				
Current:				
Operation and maintenance	35,161	-	-	35,161
School food services	-	-	153,139	153,139
Capital Outlay:				
Facilities acquisition and construction	180,490	-	-	180,490
Total expenditures	215,651	-	153,139	368,790
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(113,784)	4,925	2,456	(106,403)
OTHER FINANCING SOURCES (USES):				
Operating transfer in	10,000	-	6,853	16,853
Total other financing sources (uses)	10,000	-	6,853	16,853
NET CHANGE IN FUND BALANCE	(103,784)	4,925	9,309	(89,550)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	30,885	131,563	(6,853)	155,595
FUND BALANCE, END OF YEAR	\$ (72,899)	\$ 136,488	\$ 2,456	\$ 66,045

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Colfax, North Dakota

STATEMENT OF RECEIPTS AND DISBURSEMENTS - ACTIVITY FUND
For the Year Ended June 30, 2016

Account	Balance 7/1/2015	Deposits and Transfers In	Withdrawals and Transfers Out	Balance 6/30/2016
X-Country	\$ 1,091	\$ 3,100	\$ 3,889	\$ 302
Athletics	6,504	35,670	34,864	7,310
Elementary	9,638	18,645	13,303	14,980
PB&J Fund	(2)	-	-	(2)
JHGBB	1,581	-	500	1,081
Seniors	1,135	6,164	3,292	4,007
Juniors	4,264	13,393	16,405	1,252
Freshman	-	525	-	525
Scoreboard	(59,647)	21,949	3,628	(41,326)
FCCLA	1,210	11,039	11,412	837
School Paper	604	1,320	450	1,474
Student Council	8,154	8,264	8,867	7,551
Activity Account	1,173	5,385	6,454	104
Scholarship	500	1,000	500	1,000
Close-Up	19,646	62,938	59,816	22,768
Yearbook	11,392	14,177	14,235	11,334
Special music	364	-	-	364
Fitness Center	14,304	1,920	468	15,756
School Store	(6,272)	7,041	5,992	(5,223)
Tournaments	-	19,951	19,297	654
Football	1,654	10,912	11,510	1,056
Vending Machine	97	256	710	(357)
Volleyball	2,534	3,077	4,310	1,301
Juvenile Justice	1,000	-	60	940
High School	(351)	1,394	-	1,043
	<u>\$ 20,573</u>	<u>\$ 248,120</u>	<u>\$ 219,962</u>	<u>\$ 48,731</u>

Nadine Julson, LLC
Nadine Julson, Certified Public Accountant

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**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**

INDEPENDENT AUDITOR'S REPORT

School Board
Richland School District No. 44
Colfax, North Dakota 58018

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Richland Public School District No. 44, Colfax, North Dakota, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Richland Public School District No. 44, Colfax, North Dakota's basic financial statements and have issued my report thereon dated November 15, 2016.

Internal Control Over Financial Reporting

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did identify certain deficiencies in internal control, described in the accompanying *schedule of findings and questioned costs (16.1)*, that I consider to be a significant deficiency.

Richland Public School District No. 44
Report on Internal Control over Financial Reporting – Continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Richland Public School District No. 44's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Richland Public School District No. 44's Response to Findings

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

Purpose of this Report

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



NADINE JULSON, LLC
Wahpeton, North Dakota
November 15, 2016

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Colfax, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of report issued:

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

Internal control over financial reporting:

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

SECTION II – FINANCIAL STATEMENT FINDINGS

16.1 LACK OF SEGREGATION OF DUTIES

Condition:

The Richland Public School District No. 44 has one business manager responsible for the primary accounting functions. A lack of segregation of duties exists as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, perform bank reconciliations, and prepare financial statements.

Criteria:

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

Effect:

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

Recommendation:

I recommend that if it becomes feasible to segregate duties in the future, that duties are segregated to the greatest extent possible to reduce the potential risk of loss.

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

Views of Responsible Officials:

We concur there is inadequate segregation of duties. Given the number of employees and the size of the School District, it would be difficult to further segregate duties. When possible, we will review our check process to find a better method to sign checks.

Nadine Julson, LLC

Nadine Julson, Certified Public Accountant
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Richland Public School District No. 44
Colfax, North Dakota

I have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Richland Public School District No. 44, North Dakota, as of and for the year ended June 30, 2016, which collectively comprise the Richland Public School District No. 44's basic financial statements and have issued my report thereon dated November 15, 2016. Professional standards require that I provide you with the following information related to my audit.

OUR RESPONSIBILITIES UNDER U.S. GENERALLY ACCEPTED AUDITING STANDARDS, GOVERNMENT AUDITING STANDARDS AND THE UNIFORM GUIDANCE

As stated in my engagement letter dated July 1, 2016, my responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing my audit, I considered Richland Public School District No. 44's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide assurance on the internal control over financial reporting. I also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether Richland Public School District No. 44's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of my audit. Also in accordance with the Uniform Guidance, I examined, on a test basis, evidence about Richland Public School District No. 44's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on Richland Public School District No. 44's compliance with those requirements. While my audit provides a reasonable basis for my opinion, it does not provide a legal determination on Richland Public School District No. 44's compliance with those requirements.

SIGNIFICANT ACCOUNTING POLICIES/QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Richland Public School District No. 44 are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2016. I noted no transactions entered by the governmental unit during the year which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Communication Letter – Continued

Accounting estimates are an integral part of the financial statements presented by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is useful lives of capital assets.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. None of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

MANAGEMENT REPRESENTATIONS

I have requested certain representations from management that are included in the management representation letter dated November 15, 2016.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the county's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

I encountered no significant difficulties in dealing with management in performing and completing my audit.

OTHER AUDIT FINDINGS OR ISSUES

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

RICHLAND PUBLIC SCHOOL DISTRICT NO. 44
Communication Letter – Continued

OTHER MATTERS

I applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. My procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I did not audit the RSI and do not express an opinion or provide any assurance on the RSI.


I was engaged to report on supplementary information, which accompany the financial statements but are not RSI. With respect to this supplementary information, I made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to my audit of the financial statements. I compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

I was not engaged to report on other information accompanying the financial statements, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

RESTRICTION ON USE

This information is intended solely for the use of the Board of Education and management of the Richland Public School District No. 44 and should not be used for any other purpose. However, this report is a matter of public record, and its distribution is not limited.

Thank you and the employees of Richland Public School District No. 44 for the courteous and friendly assistance I received during the course of my audit. It is a pleasure for me to be able to service the Richland Public School District No. 44.


Nadine Julson, LLC
Wahpeton, North Dakota
November 15, 2016