



# NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

## Lisbon Public School District No.19

Lisbon, North Dakota

Audit Report for the Years Ended June 30, 2019 and June 30, 2018

*School District Code: PS37300*



Photo credit: North Dakota Tourism



Office of the  
State Auditor

# Lisbon Public School District No.19

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For the Years Ended June 30, 2019 and June 30, 2018

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# **LISBON PUBLIC SCHOOL DISTRICT No.19**

School District Officials and Audit Personnel  
June 30, 2019 and 2018

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## **SCHOOL DISTRICT OFFICIALS**

### **At June 30, 2019**

Mark Qual	President
Liz Anderson	Vice -President
Matt Webb	Board Member
Breanna Welton	Board Member
Chad Johnson	Board Member
Steven Johnson	Superintendent
Lori Lyons	Business Manager

### **At June 30, 2018**

Mark Qual	President
Liz Anderson	Vice -President
Matt Webb	Board Member
Breanna Welton	Board Member
Chad Johnson	Board Member
Steven Johnson	Superintendent
Lori Lyons	Business Manager

## **AUDIT PERSONNEL**

Heath Erickson, CPA	Audit Manager
Brian Hermanson	Audit In-Charge

STATE AUDITOR  
Joshua C. Gallion



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## INDEPENDENT AUDITOR'S REPORT

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Lisbon Public School Board  
Lisbon Public School District No.19  
Lisbon, North Dakota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lisbon Public School District No. 19, Lisbon, North Dakota, as of and for the year ended June 30, 2019 and June 30, 2018, and the related notes to the financial statements, which collectively comprise the Lisbon Public School District No. 19's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lisbon Public School District No. 19, Lisbon, North Dakota, as of June 30, 2019 and June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of a Matter**

As discussed in Note 2 to the financial statements, Lisbon Public School District No. 19 adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefit Plans Other Than Pensions. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2020 on our consideration of the Lisbon Public School District No. 19's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lisbon Public School District No. 19's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
September 21, 2020

**LISBON PUBLIC SCHOOL DISTRICT No.19**

## Statement of Net Position

June 30, 2019

	Governmental Activities
<b>ASSETS:</b>	
Cash and Investments	\$ 4,032,610
Intergovernmental Receivable	175,321
Due From County	4,106
Taxes Receivable	102,401
Capital Assets (not being depreciated)	
Non Depreciable	46,882
Depreciable, Net	7,595,327
Total Assets	<u>\$ 11,956,647</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Derived from Pension and OPEB	<u>\$ 1,479,591</u>
Total Assets & Deferred Outflows of Resources	<u>\$ 13,436,238</u>
<b>LIABILITIES:</b>	
Accounts Payable	\$ 26,512
Salaries Payable	450,559
Benefits Payable	39,137
Long-Term Liabilities:	
Due Within One Year:	
Long Term Debt	40,638
Compensated Absences Payable	16,199
Due After One Year:	
Long Term Debt	65,360
Compensated Absences Payable	37,798
Net Pension Liability	<u>8,224,871</u>
Total Liabilities	<u>\$ 8,901,074</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Derived from Pension and OPEB	<u>\$ 575,133</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 9,476,207</u>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	\$ 7,536,211
Restricted for:	
Debt Service	17,741
Capital Projects	799,107
Special Purpose	82,467
Unrestricted	<u>(4,475,495)</u>
Total Net Position	<u>\$ 3,960,031</u>

The notes to the financial statements are an integral part of this statement.

**LISBON PUBLIC SCHOOL DISTRICT No.19**

Statement of Activities

For the Year Ended June 30, 2019

Function/Program	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
Regular Instruction	\$ 3,152,317	\$ -	\$ -	\$ (3,152,317)
Special Education	682,778	-	175,054	(507,724)
Vocational Education	392,542	-	-	(392,542)
Federal Programs	160,050	-	-	(160,050)
District Wide Services	547,941	-	-	(547,941)
Administration	934,497	193,102	136,279	(605,116)
School Food Services	372,943	-	-	(372,943)
Operations and Maintenance	880,219	-	-	(880,219)
Transportation	528,300	-	145,887	(382,413)
Co-Curricular Activities	253,915	-	-	(253,915)
Other Activities	140,469	-	-	(140,469)
Interest on Long Term Debt	5,016	-	-	(5,016)
Fiscal Charges	200	-	-	(200)
<b>Total Governmental Activities</b>	<b>\$ 8,051,187</b>	<b>\$ 193,102</b>	<b>\$ 457,220</b>	<b>\$ (7,400,865)</b>
<b>General Revenues:</b>				
Property taxes; levied for general purposes				\$ 1,325,562
Property taxes; levied for debt service				25,652
Property taxes; levied for building purposes				353,544
State Grants/Aid - Unrestricted				5,447,301
Interest Income				130,579
Rental Income				3,003
Donations				29,234
Miscellaneous Income				190,640
<b>Total General Revenues</b>				<b>\$ 7,505,515</b>
<b>Changes in Net Position</b>				<b>\$ 104,650</b>
<b>Net Position - July 1</b>				<b>\$ 3,855,381</b>
<b>Net Position - June 30</b>				<b>\$ 3,960,031</b>

The notes to the financial statements are an integral part of this statement.

**LISBON PUBLIC SCHOOL DISTRICT No.19**

Balance Sheet – Governmental Funds

June 30, 2019

	General Fund	Food Service Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and Investments	\$ 3,157,133	\$ 82,467	\$ 776,932	\$ 16,078	\$ 4,032,610
Intergovernmental Receivable	175,321	-	-	-	175,321
Due from County Treasurer	3,246	-	800	60	4,106
Taxes Receivable	79,423	-	21,375	1,603	102,401
Total Assets	<u>\$ 3,415,123</u>	<u>\$ 82,467</u>	<u>\$ 799,107</u>	<u>\$ 17,741</u>	<u>\$ 4,314,438</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	\$ 26,512	\$ -	\$ -	\$ -	\$ 26,512
Salaries Payable	450,559	-	-	-	450,559
Benefits Payable	39,137	-	-	-	39,137
Total Liabilities	<u>\$ 516,208</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 516,208</u>
Deferred Inflows of Resources:					
Uncollected Taxes Receivable	<u>\$ 79,423</u>	<u>\$ -</u>	<u>\$ 21,375</u>	<u>\$ 1,603</u>	<u>\$ 102,401</u>
Total Deferred Inflows of Resources	<u>\$ 79,423</u>	<u>\$ -</u>	<u>\$ 21,375</u>	<u>\$ 1,603</u>	<u>\$ 102,401</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 595,631</u>	<u>\$ -</u>	<u>\$ 21,375</u>	<u>\$ 1,603</u>	<u>\$ 618,609</u>
Fund Balances					
Restricted					
Debt Service	\$ -	\$ -	\$ -	\$ 16,138	\$ 16,138
Capital Projects	-	-	777,732	-	777,732
Assigned					
Food Service	-	82,467	-	-	82,467
Unassigned:	<u>2,819,492</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,819,492</u>
Total Fund Balances	<u>\$ 2,819,492</u>	<u>\$ 82,467</u>	<u>\$ 777,732</u>	<u>\$ 16,138</u>	<u>\$ 3,695,829</u>
Total Liabilities and Fund Balances	<u>\$ 3,415,123</u>	<u>\$ 82,467</u>	<u>\$ 799,107</u>	<u>\$ 17,741</u>	<u>\$ 4,314,438</u>

The notes to the financial statements are an integral part of this statement.



**LISBON PUBLIC SCHOOL DISTRICT No.19**

## Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position

June 30, 2019

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**Total Fund Balances for Governmental Funds**

\$ 3,695,829

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.

7,642,209

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 revenues in the funds.

102,401

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Pensions &amp; OPEB

\$ 1,479,591

Deferred Inflows Related to Pensions &amp; OPEB

(575,133)

904,458

Long-term liabilities 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 position.

Long Term Debt

\$ (105,998)

Compensated Absences Payable

(53,997)

Net Pension &amp; OPEB Liability

(8,224,871)(8,384,866)

Total Net Position- Governmental Activities

\$ 3,960,031

The notes to the financial statements are an integral part of this statement.

**LISBON PUBLIC SCHOOL DISTRICT No.19**

## Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

For the Year Ended June 30, 2019

	General Fund	Food Service Fund	Capital Projects Funds	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>					
Local Sources	\$ 1,517,059	\$ 193,102	\$ 350,969	\$ 25,480	\$ 2,086,610
State Sources	5,593,188	5,293	-	-	5,598,481
Federal Sources	175,054	130,986	-	-	306,040
Other Sources	149,902	-	-	-	149,902
Total Revenues	\$ 7,435,203	\$ 329,381	\$ 350,969	\$ 25,480	\$ 8,141,033
<b>EXPENDITURES</b>					
Current:					
Regular Instruction	\$ 2,988,740	\$ -	\$ -	\$ -	\$ 2,988,740
Special Education	668,847	-	-	-	668,847
Vocational Education	387,489	-	-	-	387,489
Federal Programs	156,213	-	-	-	156,213
District Wide Services	527,663	-	-	-	527,663
Administration	906,125	-	-	-	906,125
School Food Services	-	344,286	-	-	344,286
Operations and Maintenance	792,376	-	-	-	792,376
Transportation	532,093	-	-	-	532,093
Co-Curricular Activities	237,482	-	-	-	237,482
Other Activities	137,516	-	-	-	137,516
Capital Outlay	159,396	-	8,692	-	168,088
Debt Service:					
Principal	18,114	-	-	21,155	39,269
Interest	2,101	-	-	2,915	5,016
Fiscal charges	-	-	-	200	200
Total Expenditures	\$ 7,514,155	\$ 344,286	\$ 8,692	\$ 24,270	\$ 7,891,403
Excess (Deficiency) of Revenues Over Expenditures	\$ (78,952)	\$ (14,905)	\$ 342,277	\$ 1,210	\$ 249,630
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	\$ 76,128	\$ -	\$ -	\$ -	\$ 76,128
Transfers Out	(45,348)	-	-	(30,780)	(76,128)
Total Other Financing Sources and Uses	\$ 30,780	\$ -	\$ -	\$ (30,780)	\$ -
Net Change in Fund Balances	\$ (48,172)	\$ (14,905)	\$ 342,277	\$ (29,570)	\$ 249,630
Fund Balance - July 1	\$ 2,867,664	\$ 97,372	\$ 435,455	\$ 45,708	\$ 3,446,199
Fund Balance - June 30	\$ 2,819,492	\$ 82,467	\$ 777,732	\$ 16,138	\$ 3,695,829

The notes to the financial statements are an integral part of this statement.

## LISBON PUBLIC SCHOOL DISTRICT No.19

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2019

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**Net Change in Fund Balances - Total Governmental Funds** **\$ 249,630**

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year.

Current Year Capital Outlay	\$ 382,815	
Current Year Depreciation Expense	<u>(278,495)</u>	104,320

In the statement of activities, the loss on sale or disposal of capital assets is recognized. The fund financial statements do not recognize losses on disposals of capital assets. (57,762)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The issuance of long-term debt provides current financial resources to governmental funds, however, the debt principal issued increases liabilities in the statement of net position. This is the amount of debt repayment. 39,269

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.

Decrease in Compensated Absences Payable		8,337
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The net pension & OPEB liability, and related deferred outflows of resources and deferred inflows of resources are reported in the government wide statements; however activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Decrease Net Pension & OPEB Liability	\$ 5,530	
Decrease in Deferred Outflows of Resources	(173,388)	
Increase in Deferred Inflows of Resources	<u>(86,090)</u>	(253,948)

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 the increase in taxes receivable. 14,804

**Change in Net Position of Governmental Activities** **\$ 104,650**

The notes to the financial statements are an integral part of this statement.

**LISBON PUBLIC SCHOOL DISTRICT No.19**

## Statement of Net Position

June 30, 2018

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	Governmental Activities
<b>ASSETS:</b>	
Cash and Investments	\$ 3,777,806
Intergovernmental Receivable	138,783
Due From County	20,798
Taxes Receivable	87,597
Capital Assets (not being depreciated)	
Non Depreciable	46,882
Depreciable, Net	<u>7,548,769</u>
Total Assets	<u>\$ 11,620,635</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Derived from Pension and OPEB	<u>\$ 1,652,979</u>
Total Assets & Deferred Outflows of Resources	<u>\$ 13,273,614</u>
<b>LIABILITIES:</b>	
Salaries Payable	\$ 453,390
Benefits Payable	37,798
Long-Term Liabilities:	
Due Within One Year:	
Long-Term Debt	39,269
Compensated Absences Payable	18,700
Due After One Year:	
Long-Term Debt	105,998
Compensated Absences Payable	43,634
Net Pension & OPEB Liability	<u>8,230,401</u>
Total Liabilities	<u>\$ 8,929,190</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Derived from Pension and OPEB	<u>\$ 489,043</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 9,418,233</u>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	\$ 7,450,384
Restricted for	
Debt Service	47,139
Capital Projects	454,255
Special Purpose	97,372
Unrestricted	<u>(4,193,769)</u>
Total Net Position	<u>\$ 3,855,381</u>

The notes to the financial statements are an integral part of this statement.

**LISBON PUBLIC SCHOOL DISTRICT No.19**

Statement of Activities

For the Year Ended June 30, 2018

Function/Program	Expenses	Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
		Services	Grants and	Changes in
			Contributions	Net Position
				Governmental
				Activities
<b>GOVERNMENTAL ACTIVITIES</b>				
Regular Instruction	\$ 3,239,970	\$ -	\$ -	\$ (3,239,970)
Special Education	701,198	-	156,907	(544,291)
Vocational Education	386,909	-	-	(386,909)
Federal Programs	142,266	-	496	(141,770)
District Wide Services	365,707	-	-	(365,707)
Administration	945,644	172,954	152,629	(620,061)
School Food Services	379,144	-	-	(379,144)
Operations and Maintenance	681,354	-	-	(681,354)
Transportation	455,266	-	138,333	(316,933)
Co-Curricular Activities	282,512	-	-	(282,512)
Other Activities	132,458	-	-	(132,458)
Interest on Long Term Debt	3,994	-	-	(3,994)
Fiscal Charges	200	-	-	(200)
Total Governmental Activities	\$ 7,716,622	\$ 172,954	\$ 448,365	\$ (7,095,303)
<b>GENERAL REVENUES</b>				
Property taxes				\$ 1,845,429
State Grants/Aid - Unrestricted				5,359,599
Interest Income				15,701
Rental Income				4,326
Donations				12,715
Miscellaneous Income				187,066
Total General Revenues				\$ 7,424,836
Changes in Net Position				\$ 329,533
Net Position - July 1				\$ 3,573,574
Prior Period Adjustment				(47,726)
Net Position - July 1, as restated				\$ 3,525,848
Net Position - June 30				\$ 3,855,381

The notes to the financial statements are an integral part of this statement.

**LISBON PUBLIC SCHOOL DISTRICT No.19**

Balance Sheet – Governmental Funds

June 30, 2018

	General Fund	Food Service Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and Investments	\$ 3,203,599	\$ 97,372	\$ 431,427	\$ 45,408	\$ 3,777,806
Intergovernmental Receivable	138,783	-	-	-	138,783
Due from County Treasurer	16,470	-	4,028	300	20,798
Taxes Receivable	67,366	-	18,800	1,431	87,597
Total Assets	<u>\$ 3,426,218</u>	<u>\$ 97,372</u>	<u>\$ 454,255</u>	<u>\$ 47,139</u>	<u>\$ 4,024,984</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Salaries Payable	\$ 453,390	\$ -	\$ -	\$ -	\$ 453,390
Benefits Payable	37,798	-	-	-	37,798
Total Liabilities	<u>\$ 491,188</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 491,188</u>
Deferred Inflows of Resources					
Uncollected Taxes Receivable	\$ 67,366	\$ -	\$ 18,800	\$ 1,431	\$ 87,597
Total Deferred Inflows of Resources	<u>\$ 67,366</u>	<u>\$ -</u>	<u>\$ 18,800</u>	<u>\$ 1,431</u>	<u>\$ 87,597</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 558,554</u>	<u>\$ -</u>	<u>\$ 18,800</u>	<u>\$ 1,431</u>	<u>\$ 578,785</u>
Fund Balances					
Restricted					
Debt Service	\$ -	\$ -	\$ -	\$ 45,708	\$ 45,708
Capital Projects	-	-	435,455	-	435,455
Assigned					
Food Service	-	97,372	-	-	97,372
Unassigned	2,867,664	-	-	-	2,867,664
Total Fund Balances	<u>\$ 2,867,664</u>	<u>\$ 97,372</u>	<u>\$ 435,455</u>	<u>\$ 45,708</u>	<u>\$ 3,446,199</u>
Total Liabilities and Fund Balances	<u>\$ 3,426,218</u>	<u>\$ 97,372</u>	<u>\$ 454,255</u>	<u>\$ 47,139</u>	<u>\$ 4,024,984</u>

The notes to the financial statements are an integral part of this statement.

## LISBON PUBLIC SCHOOL DISTRICT No.19

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position  
June 30, 2018

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<b>Total Fund Balances for Governmental Funds</b>	<b>\$ 3,446,199</b>
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.	7,595,651
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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 revenues in the funds.	87,597
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Pensions & OPEB	\$ 1,652,979	
Deferred Inflows Related to Pensions & OPEB	<u>(489,043)</u>	1,163,936

Long-term liabilities 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 position.

Long Term Debt	\$ (145,267)	
Compensated Absences Payable	(62,334)	
Net Pension & OPEB Liability	<u>(8,230,401)</u>	<u>(8,438,002)</u>

<b>Total Net Position- Governmental Activities</b>	<b><u>\$ 3,855,381</u></b>
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The notes to the financial statements are an integral part of this statement.

**LISBON PUBLIC SCHOOL DISTRICT No.19**

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
For the Year Ended June 30, 2018

	General Fund	Food Service Fund	Capital Projects Funds	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>					
Local Sources	\$ 1,521,254	\$ 172,955	\$ 352,676	\$ 26,243	\$ 2,073,128
State Sources	5,498,428	4,314	-	-	5,502,742
Federal Sources	156,907	148,315	-	-	305,222
Other Sources	147,285	-	-	-	147,285
Total Revenues	\$ 7,323,874	\$ 325,584	\$ 352,676	\$ 26,243	\$ 8,028,377
<b>EXPENDITURES</b>					
Current					
Regular Instruction	\$ 3,019,233	\$ -	\$ -	\$ -	\$ 3,019,233
Special Education	681,408	-	-	-	681,408
Vocational Education	379,771	-	-	-	379,771
Federal Programs	138,783	-	-	-	138,783
District Wide Services	352,446	-	-	-	352,446
Administration	909,033	-	-	-	909,033
School Food Services	-	350,487	-	-	350,487
Operations and Maintenance	622,683	-	-	-	622,683
Transportation	438,622	-	-	-	438,622
Co-Curricular Activities	220,673	-	-	-	220,673
Other Activities	119,889	-	-	-	119,889
Capital Outlay	-	-	14,519	-	14,519
Debt Service:					
Principal	17,464	-	-	40,483	57,947
Interest	-	-	-	4,637	4,637
Fiscal charges	-	-	-	200	200
Total Expenditures	\$ 6,900,005	\$ 350,487	\$ 14,519	\$ 45,320	\$ 7,310,331
Excess (Deficiency) of Revenues Over Expenditures	\$ 423,869	\$ (24,903)	\$ 338,157	\$ (19,077)	\$ 718,046
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	\$ 33,042	\$ 50,000	\$ -	\$ 19,376	\$ 102,418
Transfers Out	(83,042)	-	(19,376)	-	(102,418)
Total Other Financing Sources and Uses	\$ (50,000)	\$ 50,000	\$ (19,376)	\$ 19,376	\$ -
Net Change in Fund Balances	\$ 373,869	\$ 25,097	\$ 318,781	\$ 299	\$ 718,046
Fund Balance - July 1	\$ 2,493,795	\$ 72,275	\$ 116,674	\$ 45,409	\$ 2,728,153
Fund Balance - June 30	\$ 2,867,664	\$ 97,372	\$ 435,455	\$ 45,708	\$ 3,446,199

The notes to the financial statements are an integral part of this statement.



## LISBON PUBLIC SCHOOL DISTRICT No.19

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2018

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 718,046</b>
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year.

Current Year Capital Outlay	\$ 89,139	
Current Year Depreciation Expense	<u>(273,789)</u>	(184,650)

In the statement of activities, the loss on sale or disposal of capital assets is recognized. The fund financial statements do not recognize losses on disposals of capital assets.

	(12,110)
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The issuance of long-term debt provides current financial resources to governmental funds, however, the debt principal issued increases liabilities in the statement of net position. This is the amount of debt repayment.

	57,947
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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.

Increase in Compensated Absences Payable	(4,747)	
Decrease in Interest Payable	<u>642</u>	(4,105)

The net pension & OPEB liability, and related deferred outflows of resources and deferred inflows of resources are reported in the government wide statements; however activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Decrease Net Pension & OPEB Liability	\$ 278,888	
Decrease in Deferred Outflows of Resources	(411,808)	
Increase in Deferred Inflows of Resources	<u>(130,455)</u>	(263,375)

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 the increase in taxes receivable.

	<u>17,780</u>
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<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 329,533</u></b>
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The notes to the financial statements are an integral part of this statement.

**LISBON PUBLIC SCHOOL DISTRICT No.19**

Statement of Fiduciary Assets and Liabilities – Agency Funds  
June 30, 2019 and June 30, 2018

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	<u>2019</u>		<u>2018</u>	
	Agency Fund	Private Purpose Trust Funds	Agency Fund	Private Purpose Trust Funds
<b>ASSETS</b>				
Cash	\$ 124,266	\$ 5,773	\$ 122,765	\$ 2,284
Investments	<u>-</u>	<u>22,745</u>	<u>-</u>	<u>22,745</u>
Total Assets	<u>\$ 124,266</u>	<u>\$ 28,518</u>	<u>\$ 122,765</u>	<u>\$ 25,029</u>
<b>LIABILITIES</b>				
Due to Student Activities Groups	<u>\$ 124,266</u>	<u>\$ -</u>	<u>\$ 122,765</u>	<u>\$ -</u>
<b>NONEXPENDABLE NET POSITION</b>				
Held in Trust for Others		<u>\$ 28,518</u>		<u>\$ 25,029</u>

The notes to the financial statements are an integral part of this statement.

## LISBON PUBLIC SCHOOL DISTRICT No.19

Notes to the Financial Statements

For the Years Ended June 30, 2019 and June 30, 2018

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Lisbon Public School District No.19 (hereafter referred to as "School District") have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

#### Reporting Entity

The accompanying financial statements present the activities of the School District. The School District has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationships with the School District are such that exclusion would cause its financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the School District 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 the School District.

Based on these criteria, there are no component units to be included within the School District's reporting entity.

#### Basis of Presentation

*Government-wide statements.* The statement of net position and the statement of activities display information about the School District. 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 non-exchange 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, interest, and non-restricted grants and contributions, are presented as general revenues.

*Fund Financial Statements.* The fund financial statements provide information about the School District's funds, including its fiduciary funds. Separate statements for each fund category, *governmental* and *fiduciary*, are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The School District reports the following major governmental funds:

*General Fund* - This is the School District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Food Service Fund* - This fund is used to account for financial activity related to School District's lunch and breakfast programs. Primary revenue source in this fund is federal and state reimbursements and charges for services from food sales.

*Capital Projects Fund* - This fund is used to account for financial resources to be used for acquisition or construction of major capital facilities.

*Debt Service Fund* - This fund is used to account for financial resources to be used for payment of long-term debt principal, interest, and related costs.

## LISBON PUBLIC SCHOOL DISTRICT No.19

### Notes to the Financial Statements – Continued

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Additionally, the School District reports the following fund type:

*Agency Funds* - These funds account for assets by the School District in a custodial capacity as an agent on behalf of others. The School District's agency funds are used to account for various deposits of the student activity funds.

*Private Purpose Trust Funds* – These funds account for assets held by the School District received from private individuals used for scholarships and the school music and arts program.

### **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. Non-exchange 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. When applicable, proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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 net position 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.

### **Cash, Cash Equivalents, and Investments**

Cash and cash equivalents include amounts in demand deposits, money market accounts and highly liquid short-term investments with original maturities of 3 months or less.

### **Capital Assets**

Capital assets include plant and equipment. Assets are reported in the governmental activities' column in the government-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.

## LISBON PUBLIC SCHOOL DISTRICT No.19

### Notes to the Financial Statements – Continued

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

Assets	Years
Land	Indefinite
Permanent Buildings	50 Years
Temporary or Wood Buildings	10 Years
Buses - Vehicles	15 Years
Servers & Copiers	5 - 6 Years
Other Equipment	10 - 20 Years
Infrastructure	50 Years

#### Compensated Absences

Vested or accumulated sick leave for qualified employees is reported in the government-wide statement of net position. Upon termination of employment with the school district, compensation for unused sick leave earned and available is administered as follows:

Sick leave benefits are earned at the rate of 10 days per year for teachers. Unused sick leave may accumulate to a maximum of 120 days. Employees accumulating sick leave in excess of 120 days as of the end of the school year are reimbursed at a rate equivalent to \$40 per day for all days exceeding 120 days. Employees may carry over a maximum of 120 days of sick leave at each year-end. Upon retirement or resignation, the school district will pay \$30 per day for accumulated sick days for all teachers in good standing with 15 or more years of service to the School District.

Sick leave for support staff is accrued at the rate of 10 days per year cumulative to 40 days. The Superintendent, Business Manager, custodians, and office staff accrue sick leave at the rate of 10 days per year cumulative to 120 days. Upon retirement or resignation, the school district will pay \$30 per day for accumulated sick days for all support staff and administrators in good standing with 25 or more years of service to the Lisbon School District.

#### 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.

In the fund financial statements, the face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs are reported as debt service expenditures.

#### Pension

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 payable in accordance with the benefit term. Investments are reported at fair value.

#### Other Post-Employment Benefits (OPEB)

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

## LISBON PUBLIC SCHOOL DISTRICT No.19

### Notes to the Financial Statements – Continued

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#### Fund Balances

*Fund Balance Spending Policy.* It is the policy of the School District 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.

*Assigned Fund Balances.* Assigned fund balances are shown by primary function on the balance sheet. Assigned fund balances are spendable or available for appropriation but has been tentatively embarked for some specific purpose by the board designee (such as Business Manager).

*Restricted Fund Balances.* Restricted fund balances are shown by primary function on the balance sheet. Restricted fund balances are restricted by tax levies (enabling legislation) and by outside 3<sup>rd</sup> parties (state and federal governments for various grants & reimbursements).

*Unassigned Fund Balances.* Unassigned fund balances are reported in the general fund and for negative fund balances at year-end.

#### Net Position

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, as well as net of any related debt to purchase or finance the capital assets. These assets are not available for future spending.

Restrictions of net position in the statement of net position are due to restricted tax levies and restricted Federal & State grants/reimbursements.

Unrestricted net position is primarily unrestricted amounts related to the general fund and negative fund balances.

#### 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.

In the government-wide financial statements, interfund transactions have been eliminated.

#### NOTE 2 PRIOR PERIOD ADJUSTMENTS

##### Change in Accounting Principle – GASB 75 - OPEB:

Net position as of July 1, 2017 has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financing Reporting for Postemployment Benefit Plans Other than Pensions*.

The result of implementing GASB 75 reduced beginning net position for the governmental and business-type activities of the School District, which consists of the net OPEB liability related to the North Dakota Public Employees Retirement System (NDPERS).

##### Prior Period Errors

Adjustments to beginning net position are as follows:

	Amounts
Beginning Net Position, as previously reported	\$ 3,573,574
Adjustments to Restate July 1, 2017 Net Position	
Net OPEB Liability	(47,726)
Net Position July 1, as restated	\$ 3,525,848

## LISBON PUBLIC SCHOOL DISTRICT No.19

### Notes to the Financial Statements – Continued

#### NOTE 3 DEPOSITS

##### Custodial Credit Risk

Custodial credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution's failure, the School District would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The School District does not have a formal policy regarding deposits that limits the amount it may invest in any one issuer.

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

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any School District, 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, 2019, the School District's carrying amount of deposits totaled \$3,122,642, and the bank balances totaled \$3,474,053. Of the bank balances, \$435,372 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the School District's name.

At year ended June 30, 2018, the School District's carrying amount of deposits totaled \$2,932,294, and the bank balances totaled \$3,294,167. Of the deposits, a total of \$522,745 was covered by FDIC Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the School District's name.

##### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The price of a debt security typically moves in the opposite direction of the change in interest rates. The School District does not have a formal deposit policy that limits maturities as a means of managing exposure to potential fair value losses arising from increasing interest rates.

As authorized in North Dakota Statutes, idle funds may be invested as follows:

- (a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.
- (b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- (c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- (d) Obligations of the state.
- (e) Commercial paper issued by a United States corporation rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less.

At June 30, 2019, the School District held investments in the amount of \$1,063,755, which consists of mortgaged backed securities and US Treasury Bonds, are not considered deposits. The market value of the investments and their maturing dates can be seen below:

Investment Type	Total	Less Than			More Than
	Fair Value	1 Year	1-6 Years *	6-10 Years **	10 Years
Mortgage Backed Securities	\$ 1,002,090	\$ 220,646	\$ 757,821	\$ 9,090	\$ 14,534
US Treasury Bonds	61,665	34,962	-	26,703	-
Total	\$ 1,063,755	\$ 255,607	\$ 757,821	\$ 35,793	\$ 14,534

## LISBON PUBLIC SCHOOL DISTRICT No.19

### Notes to the Financial Statements – Continued

The school district also had a stock market investment with Bank of New York Shareholder Services for RN Spolum Scholarship fund. As of June 30, 2019, and 2018, the market share of this investment was \$22,745 and \$22,745 respectively.

#### NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Level 1: Valuation is based upon quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The following table below presents the balances of assets measured at fair value on a recurring basis at June 30, 2019:

	Quoted Prices In Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
Mortgage Securities	\$ -	\$ 1,002,090	\$ -	\$ 1,002,090
US Treasury Bonds	-	61,665	-	61,665
Total	\$ -	\$ 1,063,755	\$ -	\$ 1,063,755

#### NOTE 5 PROPERTY TAXES

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1. The tax levy may be paid in two installments: the first installment includes one-half of the real estate taxes and all the special assessments; 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 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.

#### NOTE 6 TRANSFERS

Transfers are used to move unrestricted general revenue to finance programs that accounts for in other funds in accordance with budget authority and to subsidize other programs. Transfers were also made to close out funds and to finance various road projects.

The school district had the following transfers as of June 30, 2019, and June 30, 2018.

	FY2019		FY2018	
	Transfers In	Transfers Out	Transfers In	Transfers Out
General Fund	\$ 76,128	\$ 45,348	\$ 33,042	\$ 83,042
Food Service Fund	-	-	50,000	-
Capital Project Fund:				
Building Fund	-	-	-	19,376
Debt Service Fund:				
S&I 1998A GO Bonds	-	30,780	19,376	-
TOTALS	\$ 76,128	\$ 76,128	\$ 102,418	\$ 102,418



**LISBON PUBLIC SCHOOL DISTRICT No.19**

Notes to the Financial Statements – Continued

**NOTE 7 CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended June 30, 2019:

<b>Governmental Activities:</b>	<b>Balance 7-1-18</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 6-30-19</b>
<i>Capital assets not being depreciated:</i>				
Land	\$ 46,882	\$ -	\$ -	\$ 46,882
Construction In Progress	-	-	-	-
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 46,882</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 46,882</b>
<i>Capital assets being depreciated:</i>				
Buildings and Building Improvements	\$ 10,372,575	\$ 155,021	\$ -	\$ 10,527,596
Vehicles	773,674	186,594	193,837	766,431
Equipment	401,703	41,200	-	442,903
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 11,547,952</b>	<b>\$ 382,815</b>	<b>\$ 193,837</b>	<b>\$ 11,736,930</b>
<i>Less Accumulated Depreciation for:</i>				
Buildings and Building Improvements	\$ 3,451,400	\$ 200,040	\$ -	\$ 3,651,440
Vehicles	335,154	49,435	136,075	248,514
Equipment	212,629	29,020	-	241,649
<b>Total Accumulated Depreciation</b>	<b>\$ 3,999,183</b>	<b>\$ 278,495</b>	<b>\$ 136,075</b>	<b>\$ 4,141,603</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 7,548,769</b>	<b>\$ 104,320</b>	<b>\$ 57,762</b>	<b>\$ 7,595,327</b>
<b>Governmental Activities - Capital Assets, Net</b>	<b>\$ 7,595,651</b>	<b>\$ 104,320</b>	<b>\$ 57,762</b>	<b>\$ 7,642,209</b>

The following is a summary of changes in capital assets for the year ended June 30, 2018:

<b>Governmental Activities:</b>	<b>Balance 7-1-17</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 6-30-18</b>
<i>Capital assets not being depreciated:</i>				
Land	\$ 46,882	\$ -	\$ -	\$ 46,882
Construction In Progress	1,253,711	8,434	1,262,145	-
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 1,300,593</b>	<b>\$ 8,434</b>	<b>\$ 1,262,145</b>	<b>\$ 46,882</b>
<i>Capital assets being depreciated:</i>				
Buildings and Building Improvements	\$ 9,110,430	\$ 1,262,145	\$ -	\$ 10,372,575
Vehicles	748,504	80,705	55,535	773,674
Equipment	429,153	-	27,450	401,703
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 10,288,087</b>	<b>\$ 1,342,850</b>	<b>\$ 82,985</b>	<b>\$ 11,547,952</b>
<i>Less Accumulated Depreciation for:</i>				
Buildings and Building Improvements	\$ 3,254,461	\$ 196,939	\$ -	\$ 3,451,400
Vehicles	337,241	49,918	52,005	335,154
Equipment	204,567	26,932	18,870	212,629
<b>Total Accumulated Depreciation</b>	<b>\$ 3,796,269</b>	<b>\$ 273,789</b>	<b>\$ 70,875</b>	<b>\$ 3,999,183</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 6,491,818</b>	<b>\$ 1,069,061</b>	<b>\$ 12,110</b>	<b>\$ 7,548,769</b>
<b>Governmental Activities - Capital Assets, Net</b>	<b>\$ 7,792,411</b>	<b>\$ 1,077,495</b>	<b>\$ 1,274,255</b>	<b>\$ 7,595,651</b>

Depreciation expense was charged to functions of the School District for 2019 and 2018 respectively as follows:

<b>Depreciation by Function:</b>	<b>2019</b>	<b>2018</b>
Administration	\$ 9,677	\$ 9,677
Instruction	112,294	112,736
Co-Curricular Activities	55,525	53,926
Food Service	28,657	28,657
Maintenance	21,919	17,911
Transportation	50,423	50,882
<b>Total</b>	<b>\$ 278,495</b>	<b>\$ 273,789</b>

**LISBON PUBLIC SCHOOL DISTRICT No.19**

Notes to the Financial Statements – Continued

**NOTE 8 LONG-TERM LIABILITIES**

During the year ended June 30,2019, the following changes occurred in governmental activities long-term liabilities:

<b>Governmental Activities</b>	<b>Balance 7-1-18</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 6-30-19</b>	<b>Due Within One Year</b>
Long Term Debt					
State School Construction	\$ 88,874	\$ -	\$ 21,155	\$ 67,719	\$ 21,849
Capital Lease Payable	56,393	-	18,114	38,279	18,789
Total Long Term Debt	\$ 145,267	\$ -	\$ 39,269	\$ 105,998	\$ 40,638
Compensated Absences Payable*	\$ 62,334	\$ -	\$ 8,336	\$ 53,998	\$ 16,199
Net Pension Liability*	8,230,401	-	5,530	8,224,871	-
<b>TOTAL</b>	<b>\$ 8,438,002</b>	<b>\$ -</b>	<b>\$ 53,135</b>	<b>\$ 8,384,867</b>	<b>\$ 56,837</b>

\* - The change in compensated absences and net pension & OPEB liability are shown as net changes because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost.

During the year ended June 30,2018, the following changes occurred in governmental activities long-term liabilities:

<b>Governmental Activities</b>	<b>Balance 7-1-17</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 6-30-18</b>	<b>Due Within One Year</b>
Long Term Debt					
G.O. Bonds Payable	\$ 20,000	\$ -	\$ 20,000	\$ -	\$ -
State School Construction	109,357	-	20,483	88,874	21,155
Capital Lease Payable	73,857	-	17,464	56,393	18,114
Total Long Term Debt	\$ 203,214	\$ -	\$ 57,947	\$ 145,267	\$ 39,269
Interest Payable	\$ 643	\$ -	\$ 643	\$ -	\$ -
Compensated Absences Payable*	57,587	4,747	-	62,334	18,700
Net Pension Liability*	8,509,289	-	278,888	8,230,401	-
<b>TOTAL</b>	<b>\$ 8,770,733</b>	<b>\$ 4,747</b>	<b>\$ 337,478</b>	<b>\$ 8,438,002</b>	<b>\$ 57,969</b>

\* - The change in compensated absences and net pension & OPEB liability are shown as net changes because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost.

Debt service requirements on long-term debt is as follows:

<b>GOVERNMENTAL ACTIVITIES</b>				
<b>Year Ending June 30</b>	<b>Capital Lease</b>		<b>State School Loan</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2020	\$ 18,789	\$ 1,426	\$ 21,849	\$ 2,221
2021	19,490	726	22,565	1,505
2022	-	-	23,305	764
<b>TOTALS</b>	<b>\$ 38,279</b>	<b>\$ 2,152</b>	<b>\$ 67,719</b>	<b>\$ 4,490</b>

**NOTE 9 OPERATING LEASES**

The School District is engaged in various operating leases Total lease payments made during 2018 and 2019 totaled \$33,179 for each year. Future lease payments are as follows:

<b>Year Ending June 30</b>	<b>Total Payments</b>
2020	\$ 33,179
Total	\$ 33,179

**NOTE 10 PENSION PLAN****General Information about the NDPERS Pension Plan****North Dakota Public Employees Retirement System (Main 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 nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

**Pension Benefits**

Benefits are set by statute. NDPERS has no provision 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.

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 members' 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 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.

**LISBON PUBLIC SCHOOL DISTRICT No.19**

## Notes to the Financial Statements – Continued

**Member and Employer Contributions**

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contributions rates are 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 24 months of service	Greater of two percent of monthly salary or \$25
25 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

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

At June 30, 2019 and June 30, 2018, for its respective proportionate share of the net pension liability, the following net pension liabilities were reported:

	<b>Net Pension Liability</b>
School District - 2019	\$ 1,143,288
School District - 2018	1,023,868

The net pension liability was measured as of June 30, 2018 and June 30, 2017 respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on its respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2019 and June 30, 2018, the entity had the following proportions, change in proportions, and pension expense:

	<b>Proportion</b>	<b>Increase (Decrease) in Proportion from June 30 Measurement Date</b>	<b>Pension Expense</b>
School District - 2019	0.067746%	0.004046%	\$ 187,149
School District - 2018	0.063700%	0.000875%	147,663

At June 30, 2019, the following deferred outflows of resources and deferred inflows of resources were reported related to pension from the following sources:

<b>2019</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 3,027	\$ 38,897
Changes of Assumptions	412,703	16,318
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	5,562
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	31,867	22,922
Employer Contributions Subsequent to the Measurement Date	53,513	-
<b>Total Deferred Outflows and Inflows of Resources</b>	<b>\$ 501,110</b>	<b>\$ 83,699</b>

**LISBON PUBLIC SCHOOL DISTRICT No.19**

## Notes to the Financial Statements – Continued

At June 30, 2018, the following deferred outflows of resources and deferred inflows of resources were reported related to pension from the following sources:

<b>2018</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 6,086	\$ 4,988
Changes of Assumptions	419,855	23,093
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	13,770	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	6,002	31,743
Employer Contributions Subsequent to the Measurement Date	47,364	-
<b>Total Deferred Outflows and Inflows of Resources</b>	<b>\$ 493,077</b>	<b>\$ 59,824</b>

\$53,513 and \$47,364 were reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended June 30, 2019 and June 30, 2018, respectively.

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

2020	\$ 116,211
2021	101,033
2022	89,926
2023	54,230
2024	5,498

**Actuarial Assumptions**

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%																						
Salary increases	<table> <tr> <td>Service at Beginning of year:</td><td>Increase Rate:</td></tr> <tr> <td>0</td><td>15.00%</td></tr> <tr> <td>1</td><td>10.00%</td></tr> <tr> <td>2</td><td>8.00%</td></tr> <tr> <td>Age*</td><td></td></tr> <tr> <td>Under 30</td><td>10.00%</td></tr> <tr> <td>30 – 39</td><td>7.50%</td></tr> <tr> <td>40 – 49</td><td>6.75%</td></tr> <tr> <td>50 – 59</td><td>6.50%</td></tr> <tr> <td>60+</td><td>5.25%</td></tr> <tr> <td colspan="2">* Age-based salary increase rates apply for employees with three or more years of service</td></tr> </table>	Service at Beginning of year:	Increase Rate:	0	15.00%	1	10.00%	2	8.00%	Age*		Under 30	10.00%	30 – 39	7.50%	40 – 49	6.75%	50 – 59	6.50%	60+	5.25%	* Age-based salary increase rates apply for employees with three or more years of service	
Service at Beginning of year:	Increase Rate:																						
0	15.00%																						
1	10.00%																						
2	8.00%																						
Age*																							
Under 30	10.00%																						
30 – 39	7.50%																						
40 – 49	6.75%																						
50 – 59	6.50%																						
60+	5.25%																						
* Age-based salary increase rates apply for employees with three or more years of service																							
Investment rate of return	7.75%, net of investment expenses																						
Cost-of-living adjustments	None																						

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

The long-term expected 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

## LISBON PUBLIC SCHOOL DISTRICT No.19

### Notes to the Financial Statements – Continued

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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long -Term Expected Real Rate of Return</b>
Domestic Equity	30%	6.05%
International Equity	21%	6.71%
Private Equity	7%	10.2%
Domestic Fixed Income	23%	1.45%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.11%
Cash Equivalents	0%	0.00%

### Discount Rate

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

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

The pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.62%; and the resulting Single Discount Rate is 6.32%.

### Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.32 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.32 percent) or 1-percentage-point higher (7.32 percent) than the current rate:

	<b>1% Decrease (5.32%)</b>	<b>Current Discount Rate (6.32%)</b>	<b>1% Increase (7.32%)</b>
<b>2019</b>			
Proportionate Share of the Net Pension Liability	\$ 1,553,515	\$ 1,143,288	\$ 800,966

### Pension Plan Fiduciary Net Position

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

**General Information about the TFFR Pension Plan****North Dakota Teachers' Fund for Retirement TFFR**

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

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

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

**Pension Benefits**

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

*Tier 1 Grandfathered*

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

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

*Tier 1 Non-grandfathered*

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

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

## LISBON PUBLIC SCHOOL DISTRICT No.19

### Notes to the Financial Statements – Continued

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#### *Tier 2*

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

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

#### **Death and Disability Benefits**

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

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

#### **Member and Employer Contributions**

Member and employer contributions paid to TFFR are set by NDCC Section 15-39.1-09. Every eligible teacher in the State of North Dakota is required to be a member of TFFR and is assessed at a rate of 11.75% of salary as defined by NDCC Section 15-39.1-04. Every governmental body employing a teacher must also pay into TFFR a sum equal to 12.75% of the teacher's salary. Member and employer contributions will be reduced to 7.75% each when the fund reaches a 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, 2019 and June 30, 2018, for its respective proportionate share of the net pension liability, the following net pension liabilities were reported:

	<b>TFFR Liability</b>
School District - 2019	\$ 7,031,491
School District - 2018	7,158,987

The net pension liability was measured as of June 30, 2018 and June 30, 2017 respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on its respective share of covered payroll in the main system pension plan relative to the



**LISBON PUBLIC SCHOOL DISTRICT No.19**

## Notes to the Financial Statements – Continued

covered payroll of all participating main system employers. At June 30, 2019 and June 30, 2018, the entity had the following proportions, change in proportions, and pension expense:

	<b>Proportion</b>	<b>Increase (Decrease) in Proportion from June 30 Measurement Date</b>	<b>Pension Expense</b>
School District - 2019	0.527550%	0.006337%	\$ 572,138
School District - 2018	0.521212%	-0.014553%	629,109

At June 30, 2019, the district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

<b>2019</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 19,084	\$ 191,237
Changes of Assumptions	387,353	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	24,310
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	140,515	273,774
Employer Contributions Subsequent to the Measurement Date	415,731	-
<b>Total Deferred Outflows and Inflows of Resources</b>	<b>\$ 962,683</b>	<b>\$ 489,321</b>

At June 30, 2018, the district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

<b>2018</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 27,460	\$ 78,150
Changes of Assumptions	510,266	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	98,886	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	89,657	348,111
Employer Contributions Subsequent to the Measurement Date	421,396	-
<b>Total Deferred Outflows and Inflows of Resources</b>	<b>\$ 1,147,665</b>	<b>\$ 426,261</b>

\$415,731 and \$421,396 were reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended June 30, 2019 and June 30, 2018, respectively.

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

2020	\$ 180,741
2021	82,447
2022	(89,991)
2024	(62,900)
2025	(43,076)
Thereafter	(9,591)

## LISBON PUBLIC SCHOOL DISTRICT No.19

### Notes to the Financial Statements – Continued

#### Actuarial Assumptions

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary Increases	4.25% to 14.50%, varying by service, including inflation and productivity
Investment Rate of Return	7.75%, net of investment expenses
Cost-of-Living Adjustments	None

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

The actuarial assumptions used were based on the results of an actuarial experience study dated April 30, 2015. They are the same as the assumptions used in the July 1, 2018 funding actuarial valuation for TFFR.

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 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	58%	6.70%
Global Fixed Income	23%	.80%
Global Real Assets	18%	5.32%
Cash Equivalents	1%	0.00%

#### Discount Rate

The discount rate used to measure the total pension liability was 7.75% as of June 30, 2018. 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, 2018, 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, 2018. 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, 2018.

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
2019			
Proportionate Share of the Net Pension Liability	\$ 9,494,548	\$ 7,031,491	\$ 4,982,993

## LISBON PUBLIC SCHOOL DISTRICT No.19

### Notes to the Financial Statements – Continued

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#### NOTE 11 OPEB PLAN

##### General Information about the OPEB Plan

##### ***North Dakota Public Employees Retirement System***

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

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

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

##### **OPEB Benefits**

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied*" on the Statement of Changes in Plan Net Position for the OPEB trust funds.

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

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

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

At June 30, 2019 and June 30, 2018, for its respective proportionate share of the net pension liability, the following net OPEB liabilities were reported:

	<b>Net OPEB Liability</b>
School District - 2019	\$ 50,092
School District - 2018	47,546

**LISBON PUBLIC SCHOOL DISTRICT No.19**

## Notes to the Financial Statements – Continued

The net OPEB liability was measured as of June 30, 2018 and June 30, 2017 respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The proportion of the net OPEB liability was based on the its share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2019 and June 30, 2018 respectively, the entities had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30 Measurement Date	OPEB Expense
School District - 2019	0.063604%	0.003496%	\$ 6,446
School District - 2018	0.060108%	0.060108%	5,739

At June 30,2019, the following deferred outflows of resources and deferred inflows of resources were reported related to OPEB from the following sources:

2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,502	\$ 1,035
Changes of Assumptions	4,110	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	1,078
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	1,619	-
Employer Contributions Subsequent to the Measurement Date	8,568	-
Total Deferred Outflows and Inflows of Resources	\$ 15,799	\$ 2,113

At June 30,2018, the following deferred outflows of resources and deferred inflows of resources were reported related to OPEB from the following sources:

2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 1,160
Changes of Assumptions	4,605	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	1,798
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	48	-
Employer Contributions Subsequent to the Measurement Date	8,568	-
Total Deferred Outflows and Inflows of Resources	\$ 13,221	\$ 2,958

\$8,568 and \$8,568 were reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the years ended June 30, 2019 and June 30, 2018, respectively.

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

2020	\$ 680
2021	680
2022	680
2023	1,155
2024	1,068
2025	711
Thereafter	144

## LISBON PUBLIC SCHOOL DISTRICT No.19

### Notes to the Financial Statements – Continued

#### Actuarial Assumptions

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Not Applicable
Investment Rate of Return	7.25%, Net of Investment Expenses
Cost-of-Living Adjustments	None

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	37%	7.15%
Small Cap Domestic Equities	9%	14.42%
International Equities	14%	8.83%
Core-Plus Fixed Income	40%	0.10%

#### Discount Rate

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

#### Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plans as of June 30, 2018, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
2019			
Proportionate Share of the Net OPEB Liability	\$ 63,379	\$ 50,092	\$ 38,702

## **LISBON PUBLIC SCHOOL DISTRICT No.19**

### **Notes to the Financial Statements – Continued**

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#### **NOTE 12 RISK MANAGEMENT**

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

In 1986, state agencies and political subdivisions joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The School District pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. For the School District the coverage by NDIRF is limited to losses of ten million dollars per occurrence for general liability, ten million for automobile, and \$102,028 for public assets/mobile equipment and portable property.

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 two million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the School District with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

#### **NOTE 13 TAX ABATEMENTS**

Lisbon Public School District No. 19 and political subdivisions within Ransom County can negotiate property tax abatement agreements with individuals and various commercial entities/businesses. Ransom County and the political subdivisions within have the following types of tax abatement agreements with various individuals and commercial entities at June 30, 2019.

The School District will state individually the parties whom received a benefit of the reduction in taxes of 20% or greater when compared to the total reduction of taxes for all tax abatement programs.

#### **New and Expanding Business:**

Businesses that are primarily industrial, commercial, retail or service are eligible for property tax incentives for new and expanding businesses if they meet state requirements (NDCC 40-57.1-03) and the guidelines stated below. The following criteria are only guidelines.

General criteria — In evaluation applications for property tax exemption, the Ransom County Commission will consider the following factors:

- Economic impact through increased construction activity, equipment purchases, additional product purchases, additional work activity, immediate and projected increases in property values, and impact on future tax collections
- Number of jobs created and employee benefits (types of jobs — professional, managerial, technical, skilled, unskilled with emphasis on full-time positions)
- Diversification of economic base
- Growth potential of company and industry and potential spin-off benefits
- Impact on city/county services: Can the company be accommodated within existing service levels, or will additional capacity be needed? Is the company locating where better use of existing services will take place or further the development plans of the City/County?
- Utilization of local resources: Will the company be an exporter from our region? Will it provide support services to existing companies? Use of raw materials and services developed in the area

#### **Exemption Criteria:**

Amount of exemption is per the following schedule: Year 1 — 100%, Year 2 — 100%, Year 3 — 75%, Year 4 — 50%, Year 5 — 25%.

## **LISBON PUBLIC SCHOOL DISTRICT No.19**

### **Notes to the Financial Statements – Continued**

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#### FY2019 Reduction in Taxes – Other Entities:

Total program reduction in taxes – \$3,853

#### FY2018 Reduction in Taxes – Other Entities:

Total program reduction in taxes – \$4,907

#### **Public Charity Exemption:**

Public Charities are eligible for property tax incentives if they meet state requirements (NDCC 57-02-08(8)) and the guidelines stated below. The following criteria are only guidelines.

All buildings belonging to institutions of public charity, including public hospitals and nursing homes licensed pursuant to section 23-16-01 under the control of religious or charitable institutions, used wholly or in part for public charity, together with the land occupied by such institutions not leased or otherwise used with a view to profit. The exemption provided by this subsection includes any dormitory, dwelling, or residential-type structure, together with necessary land on which such structure is located, owned by a religious or charitable organization recognized as tax exempt under section 501(c)(3) of the United States Internal Revenue Code which is occupied by members of said organization who are subject to a religious vow of poverty and devote and donate substantially all of their time to the religious or charitable activities of the owner.

#### Exemption criteria:

Property exempt if the qualified facility is used wholly or in part for public charity, together with the land occupied by such institutions not leased or otherwise used with a view to profit.

#### FY2019 Reduction in Taxes – Other Entities:

Total program reduction in taxes – \$23,314

#### FY2018 Reduction in Taxes – Other Entities:

Total program reduction in taxes – \$24,444

#### **Single Family Residence:**

Single Family property owners are eligible for property tax incentives for the specified property that meet state requirements (NDCC 57-02-08(35)).

General Criteria -- Up to one hundred fifty thousand dollars of the true and full value of all new single-family and condominium and townhouse residential property, exclusive of the land on which it is situated, is exempt from taxation for the first two taxable years after the taxable year in which construction is completed and the residence is owned and occupied for the first time if all of the following conditions are met:

a. The governing body of the city/county, for property within city/county limits, or the governing body of the county, for property outside city/county limits, has approved the exemption of the property by resolution. A resolution adopted under this subsection may be rescinded or amended at any time. The governing body of the city or county may limit or impose conditions upon exemptions under this subsection, including limitations on the time during which an exemption is allowed.

b. Special assessments and taxes on the property upon which the residence is situated are not delinquent.

#### FY2019 Reduction in Taxes:

Total program reduction in taxes – \$10,238

#### FY2018 Reduction in Taxes – Other Entities:

Total program reduction in taxes – \$7,807

**LISBON PUBLIC SCHOOL DISTRICT No.19**

Budgetary Comparison Schedule – General Fund  
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Local Sources	\$ 1,420,820	\$ 1,420,820	\$ 1,517,059	\$ 96,239
State Sources	5,564,473	5,564,473	5,593,188	28,715
Federal Sources	156,206	156,206	175,054	18,848
Other Sources	135,250	135,250	149,902	14,652
Total Revenues	\$ 7,276,749	\$ 7,276,749	\$ 7,435,203	\$ 158,454
<b>EXPENDITURES</b>				
Current:				
Regular Instruction	\$ 3,086,841	\$ 3,086,841	\$ 2,988,740	\$ 98,101
Special Education	652,286	652,286	668,847	(16,561)
Vocational Education	388,491	388,491	387,489	1,002
Federal Programs	142,504	156,213	156,213	-
District Wide Services	448,305	448,305	527,663	(79,358)
Administration	957,202	957,202	906,125	51,077
Operations and Maintenance	748,128	748,128	792,376	(44,248)
Transportation	511,932	511,932	532,093	(20,161)
Co-Curricular Activities	231,714	231,714	237,482	(5,768)
Other Programs & Services	129,393	129,393	137,516	(8,123)
Capital Outlay	200,000	200,000	159,396	40,604
Debt Service:				
Principal	20,215	20,215	18,114	2,101
Interest	-	-	2,101	(2,101)
Total Expenditures	\$ 7,517,011	\$ 7,530,720	\$ 7,514,155	\$ 16,565
Excess (Deficiency) of Revenues Over Expenditures	\$ (240,262)	\$ (253,971)	\$ (78,952)	\$ 175,019
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	\$ 76,128	\$ 76,128	\$ 76,128	\$ -
Operating Transfers Out	(95,348)	(95,348)	(45,348)	50,000
Total Other Financing Sources and Uses	\$ (19,220)	\$ (19,220)	\$ 30,780	\$ 50,000
Net Changes in Fund Balances	\$ (259,482)	\$ (273,191)	\$ (48,172)	\$ 225,019
Fund Balance - July 1	\$ 2,867,664	\$ 2,867,664	\$ 2,867,664	\$ -
Fund Balance - June 30	\$ 2,608,182	\$ 2,594,473	\$ 2,819,492	\$ 225,019

The accompanying required supplementary information notes are an integral part of this schedule.



**LISBON PUBLIC SCHOOL DISTRICT No.19**

Budgetary Comparison Schedule – Special Revenue Fund  
For the Year Ended June 30, 2019

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	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Local Sources	\$ 166,000	\$ 166,000	\$ 193,102	\$ 27,102
State Sources	5,000	5,000	5,293	293
Federal Sources	75,000	75,000	130,986	55,986
Total Revenues	\$ 246,000	\$ 246,000	\$ 329,381	\$ 83,381
<b>EXPENDITURES</b>				
Current:				
Food Services	\$ 331,979	\$ 331,979	\$ 344,286	\$ (12,307)
Excess (Deficiency) of Revenues Over Expenditures	\$ (85,979)	\$ (85,979)	\$ (14,905)	\$ 71,074
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	\$ 50,000	\$ 50,000	\$ -	\$ (50,000)
Net Changes in Fund Balances	\$ (35,979)	\$ (35,979)	\$ (14,905)	\$ 21,074
Fund Balance - July 1	\$ 97,372	\$ 97,372	\$ 97,372	\$ -
Fund Balance - June 30	\$ 61,393	\$ 61,393	\$ 82,467	\$ 21,074

The accompanying required supplementary information notes are an integral part of this schedule.

**LISBON PUBLIC SCHOOL DISTRICT No.19**

Budgetary Comparison Schedule – General Fund

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Local Sources	\$ 1,393,135	\$ 1,393,135	\$ 1,521,254	\$ 128,119
State Sources	5,496,328	5,496,328	5,498,428	2,100
Federal Sources	159,283	159,283	156,907	(2,376)
Other Sources	135,800	135,800	147,285	11,485
Total Revenues	\$ 7,184,546	\$ 7,184,546	\$ 7,323,874	\$ 139,328
<b>EXPENDITURES</b>				
Current				
Regular Instruction	\$ 3,152,400	\$ 3,152,400	\$ 3,019,233	\$ 133,167
Special Education	726,839	726,839	681,408	45,431
Vocational Education	388,395	388,395	379,771	8,624
Federal Programs	96,629	105,301	138,783	(33,482)
District Wide Services	394,886	394,886	352,446	42,440
Administration	1,007,124	1,007,124	909,033	98,091
Operations and Maintenance	709,101	709,101	622,683	86,418
Transportation	460,908	460,908	438,622	22,286
Co-Curricular Activities	251,874	251,874	220,673	31,201
Other Programs & Services	149,942	149,942	119,889	30,053
Debt Service:				
Principal	17,464	17,464	17,464	-
Total Expenditures	\$ 7,355,562	\$ 7,364,234	\$ 6,900,005	\$ 464,229
Excess (Deficiency) of Revenues Over Expenditures	\$ (171,016)	\$ (179,688)	\$ 423,869	\$ 603,557
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ 33,042	\$ 33,042	\$ 33,042	\$ -
Transfers Out	(75,000)	(75,000)	(83,042)	(8,042)
Total Other Financing Sources and Uses	\$ (41,958)	\$ (41,958)	\$ (50,000)	\$ (8,042)
Net Changes in Fund Balances	\$ (212,974)	\$ (221,646)	\$ 373,869	\$ 595,515
Fund Balance - July 1	\$ 2,493,795	\$ 2,493,795	\$ 2,493,795	\$ -
Fund Balance - June 30	\$ 2,280,821	\$ 2,272,149	\$ 2,867,664	\$ 595,515

The accompanying required supplementary information notes are an integral part of this schedule.

**LISBON PUBLIC SCHOOL DISTRICT No.19**

Budgetary Comparison Schedule – Special Revenue Fund  
For the Year Ended June 30, 2018

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	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Local Sources	\$ 166,000	\$ 166,000	\$ 172,955	\$ 6,955
State Sources	10,000	10,000	4,314	(5,686)
Federal Sources	72,000	72,000	148,315	76,315
Total Revenues	\$ 248,000	\$ 248,000	\$ 325,584	\$ 77,584
<b>EXPENDITURES</b>				
Current				
Food Services	\$ 342,172	\$ 342,172	\$ 350,487	\$ (8,315)
Excess (Deficiency) of Revenues Over Expenditures	\$ (94,172)	\$ (94,172)	\$ (24,903)	\$ 69,269
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ 75,000	\$ 75,000	\$ 50,000	\$ (25,000)
Net Changes in Fund Balances	\$ (19,172)	\$ (19,172)	\$ 25,097	\$ 44,269
Fund Balance - July 1	\$ 72,275	\$ 72,275	\$ 72,275	\$ -
Fund Balance - June 30	\$ 53,103	\$ 53,103	\$ 97,372	\$ 44,269

The accompanying required supplementary information notes are an integral part of this schedule.

**LISBON PUBLIC SCHOOL DISTRICT No.19**

Schedule of Employer's Share of Net Pension Liability and Employer Contributions  
For the Year Ended June 30,2019

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

	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.067746%	\$ 1,143,288	\$ 695,962	164.27%	62.80%
2018	0.063700%	1,023,868	650,275	157.45%	61.98%
2017	0.062825%	612,291	633,126	96.71%	70.46%
2016	0.067781%	460,899	603,844	76.33%	77.70%
2015	0.070018%	444,419	589,818	75.35%	78.18%

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

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2019	\$ 51,261	\$ 45,738	\$ 5,523	\$ 695,962	6.57%
2018	47,153	47,560	(407)	650,275	7.31%
2017	45,837	45,828	9	633,126	7.24%
2016	45,867	46,839	(972)	603,844	7.76%
2015	41,995	41,995	-	589,818	7.12%

**SCHOOL DISTRICT**

Schedule of Employer's Share of Net Pension Liability and Employer Contributions - Continued  
For the Year Ended June 30, 2019

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

	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.527550%	\$ 7,031,491	\$ 3,586,333	196.06%	65.50%
2018	0.521212%	7,158,987	3,518,035	203.49%	63.20%
2017	0.535765%	7,849,272	3,480,999	225.49%	59.20%
2016	0.525011%	6,866,384	3,229,368	212.62%	62.10%
2015	0.554582%	5,811,036	3,216,870	180.64%	66.60%

**Schedule of Employer Contributions  
North Dakota Teachers Fund for Retirement  
Last 10 Fiscal Years**

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2019	\$ 457,258	\$ 457,258	\$ -	\$ 3,586,333	12.75%
2018	448,550	448,550	-	3,518,035	12.75%
2017	443,827	443,827	-	3,480,999	12.75%
2016	411,725	411,725	-	3,229,368	12.75%
2015	345,810	345,810	-	3,216,870	10.75%

The accompanying required supplementary information notes are an integral part of this schedule.

**LISBON PUBLIC SCHOOL DISTRICT No.19**

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions  
For the Year Ended June 30, 2019

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

	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered- Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2019	0.063604%	\$ 50,092	\$ 695,962	7.20%	63.13%
2018	0.060108%	47,546	650,275	7.31%	61.89%

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

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2019	\$ 25,051	\$ 26,682	\$ (1,631)	\$ 695,962	3.83%
2018	27,270	26,606	664	650,275	4.09%

The accompanying required supplementary information notes are an integral part of this schedule.

## LISBON PUBLIC SCHOOL DISTRICT No.19

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2019

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### NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### Budgetary Information

The school district adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States for the general fund, special revenue funds, debt service funds and capital project funds.

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 August twenty-fifth. The governing body of the school district may amend its tax levy and budget on or before the tenth day of October of each year but the certification must be filed with the county auditor within the time limitations as outlined in NDCC 57-15-31.1.
- 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 LEGAL COMPLIANCE – BUDGETS

#### Budget Amendments

Lisbon Public School District Board amended the School District expenditures for various funds as follows:

	FY2019 - EXPENDITURES			FY2018 - EXPENDITURES		
	Original Budget	Amendments	Amended Budget	Original Budget	Amendments	Amended Budget
Major Fund:						
General Fund	\$ 7,517,011	\$ 13,709	\$ 7,530,720	\$ 7,355,562	\$ 8,672	\$ 7,364,234

### NOTE 3 CHANGES OF ASSUMPTIONS – PENSION AND OPEB

Amounts reported reflect actuarial assumption changes effective July 1, 2018 based on the results of an actuarial experience study completed in 2018. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

### NOTE 4 SCHEDULE OF PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

GASB Statements No. 68 and 75 require ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, information will be presented for those years for which information is available.



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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*

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### Independent Auditor's Report

Lisbon Public School Board  
Lisbon Public School District No.19  
Lisbon, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lisbon Public School District No. 19, as of and for the years ended June 30, 2019 and June 30, 2018, and the related notes to the financial statements, which collectively comprise the Lisbon Public School District No. 19's basic financial statements, and have issued our report thereon dated September 21, 2020.

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

In planning and performing our audit of the financial statements, we considered the Lisbon Public School District No. 19's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lisbon Public School District No. 19's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lisbon Public School District No. 19'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. We consider the deficiency described in the accompanying *Schedule of Findings* as items 2019-001 and 2019-002 to be a material weakness.

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. We consider the deficiency described in the accompanying *Schedule of Findings* as items 2019-003 and 2019-004 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Lisbon Public School District No. 19's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



**LISBON PUBLIC SCHOOL DISTRICT NO.19**

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* - Continued

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**Lisbon Public School District No. 19's Response to Findings**

Lisbon Public School District No. 19's response to the findings identified in our audit is described in the accompanying *Schedule of Findings*. Lisbon Public School District No. 19's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
September 21, 2020

## LISBON PUBLIC SCHOOL DISTRICT No.19

Summary of Auditor's Results

For the Years Ended June 30, 2019 and June 30, 2018

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### Financial Statements

Type of Report Issued?

Governmental Activities

Unmodified

Major Funds

Unmodified

Aggregate Remaining Fund Information

Unmodified

### Internal control over financial reporting

Material weaknesses identified?

  X   Yes           None Noted

Significant deficiencies identified not considered to be material weaknesses?

  X   Yes           None Noted

Noncompliance material to financial statements noted?

       Yes      X   None Noted

## **LISBON PUBLIC SCHOOL DISTRICT No. 19**

Schedule of Audit Findings

For the Years Ended June 30, 2019 and June 30, 2018

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### **2019-001 FINANCIAL STATEMENT PREPARATION – MATERIAL WEAKNESS**

#### **Condition**

The Lisbon Public School District currently does not prepare the financial statements, including various adjusting entries and accompanying note disclosures, as required by generally accepted accounting principles (GAAP). Thus, management has elected to have the auditors assist in the preparation of the financial statements and note disclosures.

#### **Criteria**

The Lisbon Public School District is responsible for the preparation of its annual financial statements and related note disclosures to ensure they are reliable, accurate, free of material misstatement, and in accordance with GAAP.

#### **Cause**

Management chose not to allocate Lisbon Public School District's resources for preparation of the financial statements.

#### **Effect**

This increases the risk of material misstatement of the Lisbon Public School District's financial statements.

#### **Repeat Finding**

No.

#### **Recommendation**

We recommend the Lisbon Public School District consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future.

#### **Lisbon Public School District's Response**

Agree. Lisbon Public School District is aware that there is a risk having the State Auditor's Office prepare and approve our financial statements and note disclosures. We may attempt to prepare the financial statements and note disclosures in the future.

**2019-002 ACCOUNTS PAYABLE ADJUSTMENT – MATERIAL WEAKNESS**

**Condition**

Lisbon Public School District mistakenly included \$84,592 of accounts payable in FY2018 when it should have been included in FY2019.

**Effect**

There is an increased risk of material misstatement to Lisbon Public School District's financial statements in relation to accounts payable.

**Cause**

Lisbon Public School District did not realize that the timing of payment and delivery may impact the decision in posting an accounts payable in the proper fiscal year.

**Criteria**

Lisbon Public School District is responsible for the proper inclusion of accounts payable in the financial statements to ensure they are reliable, accurate, free of material misstatement, and in accordance with the Generally Accepted Accounting Principles (GAAP).

**Prior Recommendation**

No.

**Recommendation**

We recommend Lisbon Public School District carefully review all accounts payable to ensure reliability and consistency for proper inclusion in the financial statements in each fiscal year according to GAAP.

**School District's Response**

Agree. Lisbon Public School District does not have adequate resources to obtain proper internal controls and training to make and identify all necessary adjustments. We will continue to try to identify all items in need of adjustment at year end to comply with GAAP.

**2019-003 LACK OF SEGREGATION OF DUTIES – SIGNIFICANT DEFICIENCY**

**Condition**

The Lisbon Public School District 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, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, perform bank reconciliations, and prepare financial statements.

**Effect**

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

**Cause**

Management has chosen to allocate its economic resources to other functions of the Lisbon Public School District.

**Criteria**

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

**Prior Recommendation**

Yes.

**Recommendation**

To mitigate the risk associated with this lack of segregation of duties, we will recommend the following:

- Expenditures, financial statements, bank reconciliations, credit memos, and payroll registers should be reviewed, analyzed, and spot-checked by a responsible official.
- Where possible, segregate the functions of approval, posting, custody of assets, and reconciliation as they relate to any amounts which impact the financial statements.

**School District's Response**

Agree. The Lisbon Public School District agrees and will segregate duties as it becomes feasible.

**2019-004 FRAUD RISK ASSESSMENT – SIGNIFICANT DEFICIENCY**

**Condition**

Lisbon Public School District does not currently prepare a fraud risk assessment of the entire entity.

**Effect**

If Lisbon Public School District does not prepare an adequate fraud risk assessment, there is an increased risk of fraudulent financial reporting, asset misappropriation, and corruption.

**Cause**

Lisbon Public School District may not have considered preparing a fraud risk assessment.

**Criteria**

Fraud risk governance is a key component of entity-wide governance and the internal control environment according to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework principles. This entity-wide governance addresses the manner in which the board of directors and management meet their respective obligations to achieve the entities goals in reporting, reliance, and accountability.

**Prior Recommendation**

No.

**Recommendation**

We recommend Lisbon Public School District prepare a fraud risk assessment in order to identify areas of concern within entity to appropriately mitigate the risk of fraudulent financial reporting, misappropriation of assets, and corruption.

**School District's Response**

Agree. Lisbon Public School District will conduct a fraud risk assessment.



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## GOVERNANCE COMMUNICATION

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Lisbon Public School Board  
Lisbon Public School District  
Lisbon, North Dakota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lisbon Public School District, North Dakota, for the years ended June 30, 2019 and June 30, 2018 which collectively comprise Lisbon Public School District's basic financial statements, and have issued our report thereon dated September 21, 2020. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under Auditing Standards Generally Accepted in The United States of America, Government Auditing Standards and by the Uniform Guidance**

As stated in our engagement letter dated June 11, 2020, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

In planning and performing our audit, we considered Lisbon Public School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on internal control over financial reporting.

As part of obtaining reasonable assurance about whether Lisbon Public School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

### **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 our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Lisbon Public School District are described in Note 1 to the financial statements. Application of existing policies was not changed during the years ended June 30, 2019 and June 30, 2018. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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 us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. Management has corrected all such misstatements. The schedules list all misstatements detected as a result of audit procedures that were corrected by management.

2019 Adjustments	Client Provided Adjustments		Audit Adjustments		Total Adjustment	
	Debit	Credit	Debit	Credit	Debit	Credit
<u>To Record Unrecorded Accounts Payable</u>						
Expenditures	-	-	26,512	-	26,512	-
Accounts Payable	-	-	-	26,512	-	26,512
<u>To Record Due from County Receivable</u>						
Due from County	-	-	4,107	-	4,107	-
Commodities	-	-	28,990	-	28,990	-
Revenues	-	-	-	33,097	-	33,097
<u>To Record Commodities Expenditure</u>						
Expenditures	-	-	28,990	-	28,990	-
Commodities	-	-	-	28,990	-	28,990

2018 Adjustments	Client Provided Adjustments		Audit Adjustments		Total Adjustment	
	Debit	Credit	Debit	Credit	Debit	Credit
<u>To Record Removal of Accounts Payable</u>						
Accounts Payable	-	-	84,592	-	84,592	-
Expenditures	-	-	-	84,592	-	84,592
<u>To Record Due from County Receivable</u>						
Due from County	-	-	20,798	-	20,798	-
Commodities	-	-	32,648	-	32,648	-
Revenues	-	-	-	53,446	-	53,446
<u>To Record Commodities Expenditure</u>						
Expenditures	-	-	32,648	-	32,648	-
Commodities	-	-	-	32,648	-	32,648

## 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. We are pleased to report that no such disagreements arose during the course of our audit.

## Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 21, 2020.

## 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 Lisbon Public School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.



**Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

**Other Audit Findings or Issues**

We 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 our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Lisbon Public School District and management of Lisbon Public School District, and is not intended to be, and should not be, used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of Lisbon Public School District for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve Lisbon Public School District.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
September 21, 2020



Office of the  
State Auditor

NORTH DAKOTA STATE AUDITOR  
JOSHUA C. GALLION

**NORTH DAKOTA STATE AUDITOR'S OFFICE**

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