

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

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2023

TABLE OF CONTENTS

| | Page |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| ROSTER OF SCHOOL OFFICIALS | 1 |
| INDEPENDENT AUDITOR'S REPORT | 2 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 5 |
| FINANCIAL STATEMENTS | |
| Statement of Net Position - Governmental Activities | 12 |
| Statement of Activities - Governmental Activities | 13 |
| Balance Sheet - Governmental Funds | 14 |
| Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position | 15 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | 16 |
| Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities | 17 |
| Notes to the Financial Statements | 18 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| Budgetary Comparison Schedule for the General Fund | 36 |
| Notes to the Budgetary Comparison Schedule | 37 |
| Schedule of District's Proportionate Share of the Net Pension Liability | 38 |
| Schedule of District's Contributions to the TFFR Pension Plan | 39 |
| Note to the Required Supplementary Information | 40 |
| INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS | 41 |
| SCHEDULE OF FINDINGS AND RESPONSES | 43 |

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
ROSTER OF SCHOOL OFFICIALS
AT JUNE 30, 2023

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Litchville-Marion Public School District No. 46 as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects the respective financial position of the governmental activities and each major fund of the Litchville-Marion Public School District No. 46, as of June 30, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Litchville-Marion Public School District No. 46 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Litchville-Marion Public School District No. 46's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Litchville-Marion Public School District No. 46's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the roster of school officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2024 on our consideration of the Litchville-Marion Public School District No. 46's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Litchville-Marion Public School District No. 46's internal control over financial reporting and compliance.



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

January 2, 2024

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

As management of the Litchville-Marion Public School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The General Fund had \$3,208,654 in revenue and \$3,635,167 in expenditures.
- The ending General Fund balance for the District on June 30, 2023 was \$584,844.
- The ending General Fund cash balance for the District on June 30, 2023 was \$401,094.
- The food service fund had revenues of \$144,627 and expenditures of \$138,517.
- The student activity fund had revenues of \$80,200 and expenditures of \$55,898.
- The District holds in trust \$237,658; the interest earned from this trust is paid out in scholarships. General fund certificates of deposit total \$100,043.
- In the year ended June 30, 2022, The District issued \$3 million of general obligation school building bonds for the school building project. A capital projects fund was established for the bond proceeds and related expenses to be used for construction costs. No cash payments for principal have occurred as of June 30, 2023. Interest payments in 2023 were \$57,862.
- During the year ended June 30, 2023, The District was approved for a Bank of North Dakota School Construction Assistance Revolving Loan (SCARLF) for up to \$10 million for the school building project. Drawdowns occur as costs are incurred and paid, submitted, and approved for reimbursement drawdown by Bank of North Dakota. Loan proceeds are deposited into the capital projects fund. Drawdowns in 2023 were \$290,670. No cash payments for principal or interest have occurred as of June 30, 2023.
- The District continues to improve the design and operation of internal control systems by implementing proper separation of duties for office personnel. This provides for proper checks and balances within the financial accounting system.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

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

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

Fund Financial Statements

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

Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$724,595 as of June 30, 2023.

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

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

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

Net Position for the period ended June 30, 2023 and 2022

The District has provided a table below that consists of net position for the years ended June 30, 2023 and 2022.

| | <u>6/30/2023</u> | <u>6/30/2022</u> |
|------------------------------------------------|-------------------|-------------------|
| ASSETS | | |
| Cash | \$ 691,485 | \$ 4,040,530 |
| Prepaid Assets | 9,688 | 9,688 |
| Investments | 3,363,415 | 337,658 |
| Federal and Other Receivables | 114,536 | 11,657 |
| Property Taxes Receivable | 51,397 | 43,531 |
| Total Current Assets | <u>4,230,521</u> | <u>4,443,064</u> |
| Capital Assets | | |
| Land | 46,224 | 70,724 |
| Construction in Progress | 2,076,205 | 116,100 |
| Buildings | 1,146,479 | 1,252,256 |
| Vehicles and Equipment | 133,595 | 107,471 |
| Less: Accumulated Depreciation | <u>(859,604)</u> | <u>(946,665)</u> |
| Total Capital Assets, Net of Depreciation | <u>2,542,899</u> | <u>599,886</u> |
| TOTAL ASSETS | <u>6,773,420</u> | <u>5,042,950</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Cost Sharing Defined Benefit Pension Plan-TFFR | <u>345,853</u> | <u>201,669</u> |
| LIABILITIES | | |
| Bonds Payable Due Within One Year | 110,000 | - |
| Accounts Payable | 1,167,185 | 36,000 |
| Interest Payable | 31,555 | 15,227 |
| Accrued Liabilities | <u>40,517</u> | <u>38,742</u> |
| Total Current Liabilities | <u>1,349,257</u> | <u>89,969</u> |
| Long-Term Liabilities | | |
| Bonds Payable | 2,890,000 | 3,000,000 |
| Loans Payable | 290,670 | - |
| Net Pension Liability | <u>1,729,183</u> | <u>1,226,853</u> |
| Total Non-Current Liabilities | <u>4,909,853</u> | <u>4,226,853</u> |
| TOTAL LIABILITIES | <u>6,259,110</u> | <u>4,316,822</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Cost Sharing Defined Benefit Pension Plan-TFFR | <u>135,568</u> | <u>535,091</u> |
| NET POSITION | | |
| Net Investment in Capital Assets | (109,968) | 572,124 |
| Restricted - Debt Service | 124,451 | - |
| Restricted - Nonexpendable | 237,658 | 237,658 |
| Restricted - Student Activities | 87,600 | 63,298 |
| Restricted - Scholarships | 3,621 | 2,732 |
| Restricted - Employee Flexible Spending | 19,221 | 12,390 |
| Unrestricted (Deficit) | <u>362,012</u> | <u>(495,496)</u> |
| TOTAL NET POSITION | <u>\$ 724,595</u> | <u>\$ 392,706</u> |

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

The following presents comparative changes in net position for the years ended June 30, 2023 and 2022:

| | <u>6/30/23</u> | <u>6/30/22</u> |
|------------------------------------|--------------------------|--------------------------|
| REVENUES | | |
| Charges for services | \$ 150,640 | \$ 104,451 |
| Operating grants and contributions | 1,986,238 | 1,978,482 |
| Property taxes | 1,431,644 | 1,211,784 |
| Other income | 77,669 | 90,724 |
| Interest income | 63,657 | 1,391 |
| TOTAL REVENUES | <u>3,709,848</u> | <u>3,386,832</u> |
| EXPENSES | | |
| Regular instruction | 1,558,432 | 1,418,291 |
| Special education | 207,771 | 216,797 |
| Vocational education | 70,758 | 60,031 |
| Administrative and library | 411,942 | 393,477 |
| Transportation | 251,055 | 257,878 |
| Operation and maintenance | 537,740 | 372,618 |
| Student activities | 127,554 | 141,029 |
| School food services | 138,517 | 127,216 |
| Interest expense | 74,190 | 15,227 |
| TOTAL EXPENSES | <u>3,377,959</u> | <u>3,002,564</u> |
| CHANGE IN NET POSITION | 331,889 | 384,268 |
| NET POSITION - BEGINNING | <u>392,706</u> | <u>8,438</u> |
| NET POSITION - ENDING | <u><u>\$ 724,595</u></u> | <u><u>\$ 392,706</u></u> |

Capital Assets

During the year ended June 30, 2023, the District acquired \$2,009,646 and disposed \$153,694 of capital assets and as of June 30, 2023 the District had \$2,542,899 invested in capital assets (See Note 3 for details).

Long-Term Liabilities

During the year ended June 30, 2023, the District paid \$0 of principal on long-term debt and as of June 30, 2023 the District had \$3,290,670 of remaining long-term debt (See Note 5 for details).

A bond issuance of \$3,000,000 occurred during the year ended June 30, 2022, to be used for future construction.

A BND School Construction Assistance Revolving Loan was established during 2023 to be used for school construction. \$290,670 of loan funds were drawn down during the year ended June 30, 2023.

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

Comments on General Fund Budgetary Comparison

- The District's general fund revenues for the fiscal year ended June 30, 2023 were \$3,208,654.
- General fund actual revenues were lower than budgeted revenues by \$173,756.
- The District's general fund expenditures for the fiscal year ended June 30, 2023 were \$3,635,167.
- General fund budgeted expenses were lower than actual expenditures by \$233,150.

Instructional Expenditures

Instructional expenditures account for approximately \$1,878,338 or 52% of total general fund expenditures. Regular instruction accounts for 85% of the instructional expenditures. Special education and federal programs account for 11% and vocational programs account for 4% of the instructional expenditures.

Non-Instructional Expenditures

Non-Instructional or central support services expenditures account for approximately \$1,756,829 or 48% of total general fund expenditures. Non-instructional expenditures consist of transportation (including repairs, fuel, supplies, and drivers), maintenance & operations (including utilities, repairs, insurance, supplies, electricity, heating oil, equipment and custodians), administration and library (including unemployment, worker's comp, contracted services, communications, board, library, exec. administration and office staff expenses), student activities, food services and debt service.

BUDGETARY IMPLICATIONS

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

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

The District currently has a 64.64% general mill levy, a 6.54% miscellaneous levy, and a 12.50% sinking and interest levy for a total of 83.68%.

The District's Title Federal Funds remained about the same. Reallocated funds were not received this fiscal year. Title II funds were used for Professional Development for both Certified and Non-Certified staff and most of the certified staff attended a TIE Technology & Innovation Conference in South Dakota in April 2023.

The District's certified staff's salaries continue to rise on an average of 4% per year. A two-year Master Agreement was signed in the spring of 2023 for the 2023-2024 and 2024-2025 school terms. The base pay will be \$42,350 and \$44,100, respectively. The benefit package will remain at \$10,175 for both of those years. The District continues to have staff working towards credits for masters degrees.

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

The vote on February 8, 2022, to tear down the existing building in Litchville, North Dakota, tear down the original two story building in Marion, North Dakota, remodel approximately 17,500 square feet of remaining building in Marion, and build a new addition of approximately 37,200 square feet in Marion plus playground and parking area in Marion, and to otherwise improve, renovate, construct and equip school property and make site improvements to school property resulted in the district hiring an architect and construction manager to start the project. Ciavarella Design Architect, Mitchell, South Dakota was the architect chosen for the project and Kraus Anderson, Bismarck, North Dakota became the Construction Manager. Bids for the different phases were presented and approved by Kraus Anderson at a special meeting on January 11, 2023. Groundbreaking ceremonies were held in the spring 2023. The old shop building was moved to the south of the new structure and a new cement floor was poured to set the shop on and will be used for storage, custodians, and parking school vehicles. The small storage building on the north end of the site was sold to a patron. Two storage units were brought in and set on the east lot to use for storage of items that would not be used for the 2023-24 school term. The two-story structure of the high school was stripped and as much salvaged as could be resulting in putting some things out on local bids and the remainder was hauled to the gymnasium in Litchville for an online auction to be conducted by Steffes Auctioneers, Fargo, ND in June 2023. Asbestos inspections and removal, moving of internet and telephone wires and electrical were all completed. The demolition of the Marion, ND two story structure started in June, 2023. These efforts resulted from help from staff, students, community members, board members and patrons.

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

The District continues to contract most of its transportation needs out to Dietrich & Sons, Inc. in Valley City, ND. Getting and keeping bus drivers has been a real issue for most bus companies. The District is fortunate to have a couple local drivers step up and drive on occasion. The District continues to transport students to the Sheyenne Valley Career & Tech Center in Valley City, ND daily for Vo-tech and transport students involved in sports activities to LaMoure School, LaMoure, ND daily. The District used its mini bus and suburban for these activities.

Two food service programs are utilized and in the last year staffing has been shuffled around with custodians filling in to help, which has brought the cost of salaries/benefits down in that area. The food service fund saw a positive year end without a transfer from the General Fund. Increases in food costs were seen almost monthly, but with the help of commodities, unprocessed food grant and donated vegetables/fruits from patrons the District programs ended well.

The District used all of the \$221,435 in ESSER II funding and ended the fiscal 2022-2023 school term with \$219,491 of the \$497,311 in ESSER III funding. Learning loss was addressed through additional teacher and paras to aid in instruction. Additional custodian staff, transportation staff were also paid with ESSER III funds.

The District entered in to a Joint Powers Agreement with the Sheyenne Valley Career & Tech Center on January 11, 2023. Other districts participating in this agreement are Barnes County North, Maple Valley and Valley City Junior and Senior High School.

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

Contacting the District's Financial Management

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

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
JUNE 30, 2023

| | Governmental Activities |
|------------------------------------------------|------------------------------------|
| ASSETS | |
| Cash | \$ 691,485 |
| Prepaid Assets | 9,688 |
| Investments | 3,363,415 |
| Federal and Other Receivables | 114,536 |
| Property Taxes Receivable | 51,397 |
| Total Current Assets | <u>4,230,521</u> |
| Capital Assets | |
| Land - Not Being Depreciated | 46,224 |
| Construction in Progress | 2,076,205 |
| Buildings | 1,146,479 |
| Vehicles and Equipment | 133,595 |
| Less: Accumulated Depreciation | <u>(859,604)</u> |
| Total Capital Assets, Net of Depreciation | <u>2,542,899</u> |
| TOTAL ASSETS | <u>6,773,420</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Cost Sharing Defined Benefit Pension Plan-TFFR | <u>345,853</u> |
| LIABILITIES | |
| Bonds Payable Due Within One Year | 110,000 |
| Accounts Payable | 1,167,185 |
| Interest Payable | 31,555 |
| Accrued Liabilities | 40,517 |
| Total Current Liabilities | <u>1,349,257</u> |
| Long-Term Liabilities | |
| Bonds Payable (Net of Current Maturities) | 2,890,000 |
| Loans Payable (Net of Current Maturities) | 290,670 |
| Net Pension Liability | <u>1,729,183</u> |
| Total Non-Current Liabilities | <u>4,909,853</u> |
| TOTAL LIABILITIES | <u>6,259,110</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Cost Sharing Defined Benefit Pension Plan-TFFR | <u>135,568</u> |
| NET POSITION | |
| Net Investment in Capital Assets | (109,968) |
| Restricted - Debt Service | 124,451 |
| Restricted - Nonexpendable | 237,658 |
| Restricted - Student Activities | 87,600 |
| Restricted for Scholarships | 3,621 |
| Restricted for Employee Flexible Spending | 19,221 |
| Unrestricted (Deficit) | <u>362,012</u> |
| TOTAL NET POSITION | <u>\$ 724,595</u> |

See Notes to the Financial Statements

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expense) Revenue and Changes in Net Position</u> |
|--------------------------------------|---------------------|-------------------------------------|---------------------------------------------------|-------------------------------------------------|----------------------------------------------------------------------|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | |
| GOVERNMENTAL ACTIVITIES | | | | | |
| Instruction: | | | | | |
| Regular instruction | \$ 1,558,432 | \$ - | \$ - | \$ - | \$ (1,558,432) |
| Special education & federal programs | 207,771 | - | 344,247 | 168,833 | 305,309 |
| Vocational education | 70,758 | - | - | - | (70,758) |
| Support Services: | | | | | |
| Administrative and library | 411,942 | - | - | - | (411,942) |
| Transportation | 251,055 | - | 119,126 | - | (131,929) |
| Operation and maintenance | 537,740 | - | - | - | (537,740) |
| Student Activities | 127,554 | 80,200 | - | - | (47,354) |
| School food services | 138,517 | 70,440 | 74,187 | - | 6,110 |
| Interest on Long-Term Debt | 74,190 | - | - | - | (74,190) |
| TOTAL GOVERNMENTAL ACTIVITIES | <u>\$ 3,377,959</u> | <u>\$ 150,640</u> | <u>\$ 537,560</u> | <u>\$ 168,833</u> | <u>(2,520,926)</u> |

GENERAL REVENUES

| | |
|-------------------------------------------------|-----------|
| Property taxes - general fund | 1,219,012 |
| Property taxes - debt service fund | 212,632 |
| State aid not restricted to a specific function | 1,279,845 |
| Interest income | 63,657 |
| Other revenues | 77,669 |

TOTAL GENERAL REVENUES

2,852,815

Change in Net Position

331,889

Net Position-Beginning

392,706

Net Position-Ending

\$ 724,595

See Notes to the Financial Statements

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2023

| | General Fund | Capital Projects Fund | Debt Service Fund | Food Service Fund | Permanent Fund | Student Activity Fund | Total Governmental Funds |
|-------------------------------------------------------------------------------|-------------------------|--------------------------------------|----------------------------------|----------------------------------|---------------------------|--------------------------------------|-----------------------------------------|
| ASSETS | | | | | | | |
| Cash | \$ 401,094 | \$ 6,147 | \$ 149,825 | \$ 46,112 | \$ 707 | \$ 87,600 | \$ 691,485 |
| Prepaid Assets | 9,688 | - | - | - | - | - | 9,688 |
| Investments | 100,043 | 3,025,714 | - | - | 237,658 | - | 3,363,415 |
| Federal and Other Receivables | 114,536 | - | - | - | - | - | 114,536 |
| Property Taxes Receivable | 45,216 | - | 6,181 | - | - | - | 51,397 |
| TOTAL ASSETS | \$ 670,577 | \$ 3,031,861 | \$ 156,006 | \$ 46,112 | \$ 238,365 | \$ 87,600 | \$ 4,230,521 |
| LIABILITIES | | | | | | | |
| Accounts Payable | \$ - | \$ 1,167,185 | \$ - | \$ - | \$ - | \$ - | \$ 1,167,185 |
| Accrued Liabilities | 40,517 | - | - | - | - | - | 40,517 |
| TOTAL LIABILITIES | 40,517 | 1,167,185 | - | - | - | - | 1,207,702 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Unavailable Property Taxes-Delinquent | 45,216 | - | 6,181 | - | - | - | 51,397 |
| FUND BALANCES | | | | | | | |
| Nonspendable for Prepaids | 9,688 | - | - | - | - | - | 9,688 |
| Nonspendable Permanent Fund Principal | - | - | - | - | 237,658 | - | 237,658 |
| Restricted for Capital Projects | - | 1,864,676 | - | - | - | - | 1,864,676 |
| Restricted for Student Activities | - | - | - | - | - | 87,600 | 87,600 |
| Restricted for Scholarships | 2,914 | - | - | - | 707 | - | 3,621 |
| Restricted for Employee Flexible Spending | 19,221 | - | - | - | - | - | 19,221 |
| Restricted for Debt Service | - | - | 149,825 | - | - | - | 149,825 |
| Assigned Food Service | - | - | - | 46,112 | - | - | 46,112 |
| Unassigned | 553,021 | - | - | - | - | - | 553,021 |
| TOTAL FUND BALANCES | 584,844 | 1,864,676 | 149,825 | 46,112 | 238,365 | 87,600 | 2,971,422 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 670,577 | \$ 3,031,861 | \$ 156,006 | \$ 46,112 | \$ 238,365 | \$ 87,600 | \$ 4,230,521 |

See Notes to the Financial Statements

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2023

Total fund balances - governmental funds \$ 2,971,422

Amounts reported for governmental activities in the statement
of net position are different because:

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

| | | | |
|--------------------------------|----|------------------|-----------|
| Land | \$ | 46,224 | |
| Construction in progress | | 2,076,205 | |
| Buildings | | 1,146,479 | |
| Vehicles and equipment | | 133,595 | |
| Less: accumulated depreciation | | <u>(859,604)</u> | |
| | | | 2,542,899 |

Net deferred outflows (inflows) of resources relating to the cost sharing
of defined benefit plans in the governmental activities are not financial
resources and therefore, are not reported as deferred outflows (inflows)
of resources in the governmental funds. 210,285

Property taxes receivable will be collected during the year, but are
not available soon enough to pay for the current period's expenditures,
and therefore are deferred in the funds. 51,397

Long-term liabilities are not due and payable in the current period and
therefore are not reported as liabilities in the governmental funds.

| | | | |
|-----------------------|--|-------------|--|
| Bonds Payable | | (3,000,000) | |
| Loans Payable | | (290,670) | |
| Net Pension Liability | | (1,729,183) | |

Interest payable is not due and payable in the current period and, therefore
is not reported as a liability in the governmental fund. (31,555)

Total net position - governmental activities \$ 724,595

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

| | General Fund | Capital Projects Fund | Debt Service Fund | Food Service Fund | Permanent Fund | Student Activity Fund | Total Governmental Funds |
|-------------------------------------------------------------|-------------------------|--------------------------------------|----------------------------------|----------------------------------|---------------------------|--------------------------------------|-----------------------------------------|
| REVENUES | | | | | | | |
| Property taxes | \$ 1,217,327 | \$ - | \$ 206,451 | \$ - | \$ - | \$ - | \$ 1,423,778 |
| Revenue from state sources | 1,398,971 | - | - | 1,170 | - | - | 1,400,141 |
| Revenue from federal sources | 513,080 | - | - | 73,017 | - | - | 586,097 |
| Other local sources | 77,669 | - | - | 70,440 | - | 80,200 | 228,309 |
| Interest income | 1,607 | 59,688 | 1,236 | - | 1,126 | - | 63,657 |
| TOTAL REVENUES | 3,208,654 | 59,688 | 207,687 | 144,627 | 1,126 | 80,200 | 3,701,982 |
| EXPENDITURES | | | | | | | |
| Current | | | | | | | |
| Regular instruction | 1,599,809 | - | - | - | - | - | 1,599,809 |
| Special education & federal programs | 207,771 | - | - | - | - | - | 207,771 |
| Vocational education | 70,758 | - | - | - | - | - | 70,758 |
| Administrative and library | 411,942 | - | - | - | - | - | 411,942 |
| Transportation | 243,595 | - | - | - | - | - | 243,595 |
| Operation and maintenance | 478,502 | 65 | - | - | - | - | 478,567 |
| Student activities | 70,999 | - | - | - | 657 | 55,898 | 127,554 |
| School food services | - | - | - | 138,517 | - | - | 138,517 |
| Capital Outlay | | | | | | | |
| Capital outlay | 551,791 | 1,457,855 | - | - | - | - | 2,009,646 |
| Debt Service | | | | | | | |
| Interest and fees on long-term debt | - | - | 57,862 | - | - | - | 57,862 |
| TOTAL EXPENDITURES | 3,635,167 | 1,457,920 | 57,862 | 138,517 | 657 | 55,898 | 5,346,021 |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES | (426,513) | (1,398,232) | 149,825 | 6,110 | 469 | 24,302 | (1,644,039) |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Proceeds from Debt Issuance | - | 290,670 | - | - | - | - | 290,670 |
| TOTAL OTHER FINANCING SOURCES (USES) | - | 290,670 | - | - | - | - | 290,670 |
| NET CHANGE IN FUND BALANCE | (426,513) | (1,107,562) | 149,825 | 6,110 | 469 | 24,302 | (1,353,369) |
| FUND BALANCE, BEGINNING OF YEAR | 1,011,357 | 2,972,238 | - | 40,002 | 237,896 | 63,298 | 4,324,791 |
| FUND BALANCE, END OF YEAR | \$ 584,844 | \$ 1,864,676 | \$ 149,825 | \$ 46,112 | \$ 238,365 | \$ 87,600 | \$ 2,971,422 |

See Notes to the Financial Statements

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

| | |
|--------------------------------------------------------|----------------|
| Total net change in fund balances - governmental funds | \$ (1,353,369) |
|--------------------------------------------------------|----------------|

Amounts reported for governmental activities in the statement
of activities are different because:

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

| | | |
|----------------------|-----------------|-----------|
| Capital outlays | \$ 2,009,646 | |
| Depreciation expense | <u>(42,133)</u> | 1,967,513 |

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Issuance of long-term debt is reported as revenue in governmental funds. However, the issuance increases long-term liabilities in the statement of net position. | (290,670) |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| When recognizing the sale of capital assets, the governmental funds report the total proceeds of the sale. Only the gain or loss on the sale is reported on the statement of net position | (24,500) |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|

Some revenues will not be collected for several months after the District's fiscal year end. These revenues are not considered "available" revenues in the governmental funds. These consist of:

| | |
|------------------------------------------|-------|
| Net change in unavailable property taxes | 7,866 |
|------------------------------------------|-------|

| | |
|----------------------------------------------------------------------------------------|---------|
| Changes in deferred outflows and inflows of resources related to net pension liability | 543,707 |
|----------------------------------------------------------------------------------------|---------|

| | |
|----------------------------------|-----------|
| Changes in net pension liability | (502,330) |
|----------------------------------|-----------|

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Accrued interest increased by \$16,328.

| | |
|--|-----------------|
| | <u>(16,328)</u> |
|--|-----------------|

| | |
|--------------------------------------------------|--------------------------|
| Change in net position - governmental activities | <u><u>\$ 331,889</u></u> |
|--------------------------------------------------|--------------------------|

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Basis of Presentation

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

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

Government-wide Financial Statements

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

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

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

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

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

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

Fund Financial Statements

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

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

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

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

Governmental Funds

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

General Fund

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

Capital Projects Fund

The Capital Projects fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for acquiring school sites, constructing and equipping new school facilities and renovating existing facilities.

Debt Service Fund

The Debt Service fund is used to account for the accumulation of resources for, and the payment of bonds and notes payable.

Food Service Fund

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

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

Permanent Fund

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

Student Activity Fund

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

Non-major Governmental Funds

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

Revenues-Exchange and Non-Exchange Transactions

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

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

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

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

Unearned Revenues

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

Deferred Outflows/Inflows of Resources

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

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable property taxes – delinquent*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also has one item reported on the statement of net position *as cost sharing defined benefit pension plan*, which represents the actuarial differences within the TFFR pension plan. See Note 4 for more details.

Budgets and Budgetary Accounting

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

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

Cash and Cash Equivalents

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

Investments

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

Capital Assets

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

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

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

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

Property taxes

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

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

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

Compensated Absences

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

Pensions

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

Fund Balance

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

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

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

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

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

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

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

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

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

Net Position

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

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

Short-Term and Long-Term Obligations

All payables and long-term obligations are reported in the District's government wide financial statements. The District's governmental fund financials report only those obligations that will be paid from current financial resources.

Minimum Fund Balance Policy

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

Encumbrances

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

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

Inter-fund Activity

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

Use of Estimates

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

NOTE 2 - CASH AND INVESTMENTS

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

At June 30, 2023, the carrying amount of the District's checking and savings, and certificate of deposit investments was \$4,054,900 and the bank balance was \$4,044,908. The bank balance was covered by Federal Depository Insurance and by collateral held by the District's agent in the District's name in amounts sufficient to meet North Dakota legal requirements.

The District's investments consist of certificates of deposit.

Interest Rate Risk

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

Credit Risk

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

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

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2023 was as follows:

| | Balance 6-30-22 | Additions | Disposals | Transfers | Balance 6-30-23 |
|--------------------------------------------|--------------------|---------------------|------------------|-------------|---------------------|
| Governmental Activities | | | | | |
| Capital assets, not being depreciated | | | | | |
| Land | \$ 70,724 | \$ - | \$ 24,500 | \$ - | \$ 46,224 |
| Construction in Progress | 116,100 | 1,960,105 | - | - | 2,076,205 |
| Total capital assets not being depreciated | <u>186,824</u> | <u>1,960,105</u> | <u>24,500</u> | <u>-</u> | <u>2,122,429</u> |
| Capital assets being depreciated | | | | | |
| Buildings | 1,252,256 | 15,223 | 121,000 | - | 1,146,479 |
| Vehicles and equipment | 107,471 | 34,318 | 8,194 | - | 133,595 |
| Total capital assets being depreciated | <u>1,359,727</u> | <u>49,541</u> | <u>129,194</u> | <u>-</u> | <u>1,280,074</u> |
| Total at Cost | <u>1,546,551</u> | <u>2,009,646</u> | <u>153,694</u> | <u>-</u> | <u>3,402,503</u> |
| Less Accumulated Depreciation | | | | | |
| Buildings | 908,616 | 28,446 | 121,000 | - | 816,062 |
| Vehicles and equipment | 38,049 | 13,687 | 8,194 | - | 43,542 |
| Total | <u>946,665</u> | <u>42,133</u> | <u>129,194</u> | <u>-</u> | <u>859,604</u> |
| Net Capital Assets for | | | | | |
| Governmental Activities | <u>\$ 599,886</u> | <u>\$ 1,967,513</u> | <u>\$ 24,500</u> | <u>\$ -</u> | <u>\$ 2,542,899</u> |

Construction in progress as of June 30, 2023 consists of expenditures incurred in relation to the school addition and remodel project.

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

| | Depreciation |
|---------------------------|------------------|
| Transportation | \$ 7,460 |
| Operation and maintenance | 34,673 |
| | <u>\$ 42,133</u> |

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

NOTE 4 - PENSION PLAN

North Dakota Teacher's Fund For Retirement

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

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

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

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

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

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

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

At June 30, 2023, the District reported a liability of \$1,729,183 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2022, the Employer's proportion was 0.118758 percent which was an increase of 0.002320 from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Employer recognized pension expense of \$82,728. At June 30, 2023, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---------------------------------------------------------------|-----------------------------------|----------------------------------|
| Differences between expected and actual economic experience | \$ 7,452 | \$ 46,168 |
| Changes in actuarial assumptions | 35,161 | - |
| Difference between projected and actual investment earnings | 129,518 | - |
| Changes in proportion | 49,616 | 89,400 |
| Contributions paid to TFFR subsequent to the measurement date | 124,106 | - |
| Total | <u>\$ 345,853</u> | <u>\$ 135,568</u> |

\$124,106 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024.

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

| Year ending June 30: | Pension Expense Amount |
|----------------------|------------------------|
| 2024 | \$ (1,300) |
| 2025 | (13,487) |
| 2026 | (8,208) |
| 2027 | 105,771 |
| 2028 | 357 |
| Thereafter | 3,046 |

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

Actuarial Assumptions

The total pension liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used were based on the results of an actuarial experience study dated March 19, 2020. They are the same as the assumptions used in the July 1, 2022, funding actuarial valuation for TFFR.

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

The long-term expected rate of return on TFFR investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the TFFR target asset allocation as of June 30, 2022 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---------------------|--------------------------|---------------------------------------------------|
| Global Equities | 55.00% | 6.61% |
| Global Fixed Income | 26.00% | 0.35% |
| Global Real Assets | 18.00% | 4.60% |
| Cash Equivalents | 1.00% | -1.05% |

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent as of June 30, 2022. 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, 2022, 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, TFFR's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on TFFR investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2022.

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

The following presents net pension liability of the TFFR employers calculated using the discount rate of 7.25 percent as of June 30, 2022, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

| | 1% Decrease in Discount Rate 6.25% | Discount Rate 7.25% | 1% Increase in Discount Rate 8.25% |
|----------------------------------------------------------------------|---------------------------------------|------------------------|---------------------------------------|
| District's proportionate share of the TFFR net pension liability: | \$ 2,375,739 | \$ 1,729,183 | \$ 1,192,947 |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report. TFFR's Comprehensive Annual Financial Report (CAFR) is located at:

<https://www.rio.nd.gov/sites/www/files/documents/PDFs/RIO/Reports/annualreport2022.pdf>

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

NOTE 5 - LONG TERM DEBT

The District issued bonds during the year ended June 30, 2023 to provide for the construction of new school facilities. Long-term debt is as follows:

| Title | Interest Rate | Maturity | Balance 7/1/2022 | Additions | Reductions | Balance 6/30/2023 | Due within One Year |
|----------------------------------------------------------------------|---------------|----------|---------------------|---------------------|-------------------|---------------------|---------------------|
| General Obligation School Building Bonds of 2022 | 2-3% | 8/1/2041 | \$ 3,000,000 | \$ - | \$ - | \$ 3,000,000 | \$ 110,000 |
| 2023 BND School Construction Assistance Revolving Loan Fund (SCARLF) | 2% | 8/1/2043 | - | 290,670 | - | 290,670 | - |
| Net Pension Liability | | | <u>1,226,853</u> | <u>743,814</u> | <u>241,484</u> | <u>1,729,183</u> | <u>-</u> |
| | | | <u>\$ 4,226,853</u> | <u>\$ 1,034,484</u> | <u>\$ 241,484</u> | <u>\$ 5,019,853</u> | <u>\$ 110,000</u> |

The General Obligation School Building Bonds of 2022 carries an interest rate of 2-3%, matures in the year ending June 30, 2042 and secured by funds received from the Debt Service Fund Levy.

The Bank of North Dakota School Construction Assistance Revolving Loan Fund (SCARLF) of 2023 carried an interest rate of 2%, maturity in 20 years with repayment amounts to be determined and secured by funds received from the Debt Service Fund Levy.

Interest paid was \$57,862 for the year ended June 30, 2023.

Net pension liability is generally liquidated by the general fund. General Obligation State School Construction Bonds and School Construction Assistance Revolving Loan Funds are generally liquidated by a debt service fund that was established in the year ending June 30, 2023.

Annual debt service requirements to maturity for the long-term debt are as follows:

| Year Ending June 30 | 2022 General Obligation School Building Bonds | | |
|------------------------|--------------------------------------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2024 | \$ 110,000 | \$ 71,228 | \$ 181,228 |
| 2025 | 135,000 | 68,778 | 203,778 |
| 2026 | 135,000 | 66,078 | 201,078 |
| 2027 | 140,000 | 63,328 | 203,328 |
| 2028 | 140,000 | 60,528 | 200,528 |
| 2029-2033 | 750,000 | 257,899 | 1,007,899 |
| 2034-2038 | 840,000 | 166,762 | 1,006,762 |
| 2039-2042 | 750,000 | 45,750 | 795,750 |
| | <u>\$ 3,000,000</u> | <u>\$ 800,351</u> | <u>\$ 3,800,351</u> |

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

| Year Ending June 30 | 2023 BND School Construction Assistance School Building Bonds | | |
|------------------------|------------------------------------------------------------------|------------------|-------------------|
| | Principal | Interest | Total |
| 2024 | \$ - | \$ 3,656 | \$ 3,656 |
| 2025 | 12,031 | 5,496 | 17,527 |
| 2026 | 12,272 | 5,255 | 17,527 |
| 2027 | 12,517 | 5,010 | 17,527 |
| 2028 | 12,768 | 4,760 | 17,528 |
| 2029-2033 | 73,061 | 19,864 | 92,925 |
| 2034-2038 | 80,115 | 12,811 | 92,926 |
| 2039-2043 | 87,906 | 5,022 | 92,928 |
| | <u>\$ 290,670</u> | <u>\$ 61,874</u> | <u>\$ 352,544</u> |

NOTE 6 - COMMITMENTS AND CONTINGENCIES

Grant Programs

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2023, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Construction Related Commitment

The District has contract commitments of \$11,351,862 as of June 30, 2023 related to contracts for the construction of the District building and remodeling project.

NOTE 7 - RISK MANAGEMENT

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

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

NOTE 8 - CHARITABLE TRUST

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

NOTE 9 - NON-MONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its hot lunch program. The market value of commodities received for the year ended June 30, 2023 was \$11,145.

NOTE 10 - NEW PRONOUNCEMENTS

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

No. 99, *Omnibus 2022*, provides guidance on the following accounting matters:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statement.

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, provides guidance on accounting and financial reporting requirements for accounting changes and error corrections. Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences*, provides guidance on the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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

NOTE 11 - SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through January 2, 2024, which is the date these financial statements were available to be issued.

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

| | General Fund | | | |
|---------------------------------------------------------|----------------------------|-------------------------|-------------------|--------------------------------------------|
| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Favorable Variance</u> |
| REVENUES | | | | |
| Property taxes | \$ 1,254,371 | \$ 1,254,371 | \$ 1,217,327 | \$ (37,044) |
| Revenue from state sources | 1,499,431 | 1,499,431 | 1,398,971 | (100,460) |
| Revenue from federal sources | 541,712 | 563,738 | 513,080 | (50,658) |
| Other local sources | 63,650 | 63,650 | 77,669 | 14,019 |
| Interest income | 1,220 | 1,220 | 1,607 | 387 |
| TOTAL REVENUES | <u>3,360,384</u> | <u>3,382,410</u> | <u>3,208,654</u> | <u>(173,756)</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Regular instruction | 1,544,061 | 1,570,415 | 1,599,809 | (29,394) |
| Special education | 219,364 | 213,999 | 207,771 | 6,228 |
| Vocational education | 77,725 | 77,725 | 70,758 | 6,967 |
| Administrative and library | 336,393 | 337,674 | 411,942 | (74,268) |
| Transportation | 248,677 | 248,677 | 243,595 | 5,082 |
| Operation and maintenance | 832,850 | 832,850 | 478,502 | 354,348 |
| Student activities | 71,818 | 71,818 | 70,999 | 819 |
| Capital outlay | 38,250 | 48,859 | 551,791 | (502,932) |
| TOTAL EXPENDITURES | <u>3,369,138</u> | <u>3,402,017</u> | <u>3,635,167</u> | <u>(233,150)</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(8,754)</u> | <u>(19,607)</u> | <u>(426,513)</u> | <u>(406,906)</u> |
| OTHER SOURCES (USES) | | | | |
| Transfers out | (20,000) | (20,000) | - | 20,000 |
| TOTAL OTHER SOURCES (USES) | <u>(20,000)</u> | <u>(20,000)</u> | <u>-</u> | <u>20,000</u> |
| NET CHANGE IN FUND BALANCE | <u>(28,754)</u> | <u>(39,607)</u> | <u>(426,513)</u> | <u>(386,906)</u> |
| FUND BALANCE - JULY 1 | <u>1,011,357</u> | <u>1,011,357</u> | <u>1,011,357</u> | <u>-</u> |
| FUND BALANCE - JUNE 30 | <u>\$ 982,603</u> | <u>\$ 971,750</u> | <u>\$ 584,844</u> | <u>\$ (386,906)</u> |

See Notes to the Budgetary Comparison Schedule

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
AS OF JUNE 30, 2023

NOTE 1 - BUDGETING POLICIES

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

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

The District legally adopts a budget for the general fund and does not legally adopt a budget for the capital projects, debt service, food service, permanent or student activity funds.

NOTE 2 – EXPENDITURES IN EXCESS OF BUDGET

| | Final Budget | Actual | Excess |
|----------------------------|-----------------|--------------|-----------|
| General Fund | | | |
| Regular instruction | \$ 1,570,415 | \$ 1,599,809 | \$ 29,394 |
| Administrative and library | 337,674 | 411,942 | 74,268 |
| Capital Outlay | 48,859 | 551,791 | 502,932 |

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund, and the excess has no impact on the financial results of the District.

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

Teachers Fund for Retirement

| For the Fiscal Year Ended June 30 | District's Proportion of the Net Pension Liability (Asset) | District's Proportionate Share of the Net Pension Liability (Asset) (a) | District's Covered- Employee Payroll | Proportionate Share of the Net Pension Liability (asset) as a Percentage of its Covered-employee Payroll | Plan Fiduciary Net Position as a Percentage Of the Total Pension Liability |
|-----------------------------------------|---------------------------------------------------------------------|----------------------------------------------------------------------------------|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| 2023 | 0.118758% | \$ 1,729,183 | \$ 934,158 | 185.11% | 67.50% |
| 2022 | 0.116438% | 1,226,853 | 897,386 | 136.71% | 75.70% |
| 2021 | 0.118445% | 1,812,812 | 864,250 | 209.76% | 63.40% |
| 2020 | 0.120049% | 1,653,372 | 842,175 | 196.32% | 65.50% |
| 2019 | 0.116098% | 1,547,427 | 789,247 | 196.06% | 65.50% |
| 2018 | 0.131432% | 1,805,259 | 887,132 | 203.49% | 63.20% |
| 2017 | 0.131458% | 1,925,932 | 854,113 | 225.49% | 59.20% |
| 2016 | 0.130479% | 1,706,476 | 802,581 | 212.62% | 62.10% |
| 2015 | 0.139115% | 1,457,679 | 806,940 | 180.64% | 66.60% |

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

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

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

Teachers Fund for Retirement

| Fiscal Year Ended June 30 | Statutorily Required Contribution | Contributions in Relation to the Statutorily Required Contributions | Contribution Deficiency (Excess) | District's Covered- Employee Payroll | Contributions as a Percentage of Covered- Employee Payroll |
|---------------------------------|-----------------------------------------|------------------------------------------------------------------------------|-------------------------------------|-----------------------------------------|------------------------------------------------------------------|
| 2023 | \$ 124,106 | \$ (124,106) | \$ - | \$ 973,382 | 12.75% |
| 2022 | 119,151 | (119,151) | - | 934,158 | 12.75% |
| 2021 | 114,417 | (114,417) | - | 897,386 | 12.75% |
| 2020 | 110,192 | (110,192) | - | 864,250 | 12.75% |
| 2019 | 107,377 | (107,377) | - | 842,173 | 12.75% |
| 2018 | 100,629 | (100,629) | - | 789,247 | 12.75% |
| 2017 | 113,109 | (113,109) | - | 887,132 | 12.75% |
| 2016 | 108,900 | (108,900) | - | 854,113 | 12.75% |
| 2015 | 102,329 | (102,329) | - | 802,581 | 12.75% |

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

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 CHANGES OF ASSUMPTIONS

TFFR

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

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

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

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Litchville-Marion Public School District No. 46 as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Litchville-Marion Public School District No. 46's basic financial statements and have issued our report thereon dated January 2, 2024.

Report on Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of control deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2023-001 to be a material weakness.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2023-002 to be a significant deficiency.

Report on Compliance and Other Matters

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

The District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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



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

January 2, 2024

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023

Material Weakness 2023-001

Criteria:

A proper system of internal control has the proper segregation of duties between authorization, custody, record keeping and reconciliation.

Condition:

There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keepings and reconciliation.

Cause:

The District is subject to size and budget constraints limiting the number of personnel within the accounting department.

Effect:

The design of internal control over financial reporting could adversely affect the ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Recommendation:

We recommend the District review their internal controls over the accounting functions to determine if additional procedures can be implemented that are cost effective. The board should constantly be aware of this condition. Compensating controls that mitigate the related risks could be (or are) provided through appropriate oversight of the performance of these functions and review of the financial reports by individuals with knowledge of current operations and accounting principles.

Management's Response:

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

LITCHVILLE-MARION PUBLIC SCHOOL DISTRICT NO. 46
MARION, NORTH DAKOTA
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

Significant Deficiency 2023-002

Criteria:

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

Condition:

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

Cause:

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

Effect:

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

Recommendation:

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

Management's Response:

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