

**THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
THOMPSON, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
ROSTER OF SCHOOL OFFICIALS (UNAUDITED)
AS OF JUNE 30, 2023

Brian Willis	President
Jon Wolfgram	Vice President
Deb Kolling	Board Member
Sarah Gustafson	Board Member
Monica Norby	Board Member
Amanda Bina	Business Manager
John Maus	Superintendent

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Thompson Public School District No. 61
Thompson, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Thompson Public School District No. 61, 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, each major fund, and the aggregate remaining fund information of Thompson Public School District No. 61, 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 Thompson Public School District No. 61 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 Thompson Public School District No. 61'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 Thompson Public School District No. 61'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 information, schedule of District's contributions to TFFR/NDPERS retirement plans, schedule of District's Contributions to the NDPERS OPEB plan, schedule of District's proportionate share of net pension liability and schedule of District's proportionate share of net OPEB liability 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 financial statements and our auditor's report thereon. Our opinions on the 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 financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the 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 September 6, 2023 on our consideration of the District'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 the District's internal control over financial reporting and compliance.



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

September 6, 2023

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023

The discussion and analysis of Thompson Public School District's financial performance provides an overall review of the District's financial activities for the year ended June 30, 2023. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2022-2023 fiscal year are as follows:

- Net Position of the District increased \$619,652 as a result of the current year operations.
- Governmental net position totaled \$7,470,928.
- Total revenues from all sources were \$9,014,726.
- Total expenses were \$8,395,074.
- The District's General Fund had \$8,089,127 in total revenues and other financing sources and \$8,533,600 in expenditures and other financing uses. Overall the General Fund balance decreased by \$444,473 for the year ended June 30, 2023, compared to an increase of \$688,824 in the previous year.
- Transfers from the General Fund to the Building Fund totaled \$100,000 and were to support the construction of the school addition.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and related footnotes. These statements are organized so the reader can understand Thompson Public School District No. 61 as a financial whole. The statements then proceed to provide an increasingly detailed look at specific activities.

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

REPORTING THE SCHOOL DISTRICT AS A WHOLE

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District do financially during the year ended June 30, 2023?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets, deferred inflows and outflows of resources, and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
JUNE 30, 2023

These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws in North Dakota, facility condition, required educational programs and other factors. In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund and the Building Fund.

Governmental Funds

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net position as of June 30, 2023.

As indicated in the financial highlights, the District's net position increased by \$619,652 for the year ended June 30, 2023. Net position may serve over time as a useful indicator of the District's financial position.

The District's net position of \$7,470,928 is segregated into three separate categories. Net investment in capital assets (net of related debt) is not available for future spending. Restricted net position represents resources that are subject to external restrictions on how they must be spent. The unrestricted net position is available to meet the District's ongoing obligations.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
JUNE 30, 2023

Table 1
Statement of Net Position

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets	\$ 2,522,279	\$ 5,268,840
Capital Assets (Net of Accumulated Depreciation)	15,039,824	12,346,751
Lease Assets (Net of Accumulated Amortization)	59,811	75,082
Total Assets	<u>17,621,914</u>	<u>17,690,673</u>
 Deferred Inflows of Resources	 <u>2,096,657</u>	 <u>1,557,107</u>
 Liabilities		
Current Liabilities	433,089	921,725
Long-Term Liabilities	11,011,087	9,151,491
Total Liabilities	<u>11,444,176</u>	<u>10,073,216</u>
 Deferred Outflows of Resources	 <u>803,467</u>	 <u>2,323,288</u>
 Net Position		
Net Investment in Capital and Lease Assets	10,478,824	7,196,656
Restricted for Debt Service	17,674	37,749
Restricted for Miscellaneous Levy	29,940	36,117
Restricted for Student Activities	220,224	306,117
Restricted for Capital Projects	55,197	2,045,632
Unrestricted	(3,330,931)	(2,770,995)
Total Net Position	<u>\$ 7,470,928</u>	<u>\$ 6,851,276</u>

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
JUNE 30, 2023

Table 2 shows the changes in net position for fiscal years ended June 30, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Revenues		
Program Revenues		
Charges for Services	\$ 465,868	\$ 358,077
Operating Grants and Contributions	375,926	907,929
General Revenues		
Taxes	1,471,876	1,373,293
State Aid	6,120,020	5,936,133
Investment Earnings	118,984	38,009
Other Revenues	<u>462,052</u>	<u>432,840</u>
Total Revenues	<u>9,014,726</u>	<u>9,046,281</u>
Expenses		
Business Support Services	81,413	74,256
Instructional Support Services	662,982	320,891
Administration	487,787	857,119
Operations and Maintenance	2,419,468	1,377,779
Transportation	430,928	250,757
Regular Instruction	2,157,925	2,575,645
Special Education	772,729	837,497
Vocational Education	126,573	138,747
Extra-Curricular Activities	691,652	439,791
Food Services	487,364	559,176
Interest and Fees on Long-Term Debt and Lease		
Liabilities	<u>76,253</u>	<u>71,112</u>
Total Expenses	<u>8,395,074</u>	<u>7,502,770</u>
Changes in Net Position	619,652	1,543,511
Net Position - Beginning	<u>6,851,276</u>	<u>5,307,765</u>
Net Position - Ending	<u><u>\$ 7,470,928</u></u>	<u><u>\$ 6,851,276</u></u>

Property taxes constitute 16.33% and 15.18%, state aid 67.89% and 65.62%, operating grants and contributions 4.17% and 10.04%, and charges for services make up 5.17% and 3.96% of the total revenues of governmental activities of the District for fiscal years 2023 and 2022, respectively.

Regular instruction comprised 25.70% and 34.33% of District expenses for fiscal years 2023 and 2022, respectively.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
JUNE 30, 2023

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues.

Table 3

	Total Cost for Year Ended 6/30/2023	Net Cost for Year Ended 6/30/2023	Total Cost for Year Ended 6/30/2022	Net Cost for Year Ended 6/30/2022
Business Support Services	\$ 81,413	\$ (81,413)	\$ 74,256	\$ (74,256)
Instructional Support Services	662,982	(662,982)	320,891	(320,891)
Administration	487,787	(487,787)	857,119	(857,119)
Operations and Maintenance	2,419,468	(2,419,468)	1,377,779	(1,377,779)
Transportation	430,928	(334,290)	250,757	(153,779)
Regular Instruction	2,157,925	(2,074,928)	2,575,645	(2,281,335)
Special Education	772,729	(531,841)	837,497	(488,673)
Vocational Education	126,573	(91,856)	138,747	(110,031)
Extra-Curricular Activities	691,652	(691,652)	439,791	(439,791)
Food Services	487,364	(100,810)	559,176	(61,998)
Interest and Fees on Long-Term Debt and Lease Liabilities	76,253	(76,253)	71,112	(71,112)
Total Expenses	<u>\$ 8,395,074</u>	<u>\$ (7,553,280)</u>	<u>\$ 7,502,770</u>	<u>\$ (6,236,764)</u>

Business support services and administration include expenses associated with administrative and financial supervision of the District.

Instructional support services include activities involved with assisting staff with the content and process of teaching to pupils.

Operation and maintenance of plant activities involve maintaining the school grounds, buildings and equipment in an effective working condition.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Special education includes costs that support the education of students with other needs.

Vocational education includes expenditures that support the teaching of vocational type instruction.

Extra-curricular activities include expenses related to student activities provided by the District, which are designed to provide opportunities for pupils to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
JUNE 30, 2023

Food services include expenses directly dealing with providing breakfast and lunch service to students and staff of the District.

Interest on long-term debt and leases involves the transactions associated with the payment of interest and other related charges to debt and leases of the District.

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The focus of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unassigned fund balance generally may be used as a measure of the District's net resources available for spending at the end of the fiscal year. These funds are accounted for by using the modified accrual basis of accounting. The District's governmental funds had total revenues of \$8,898,051 and \$9,037,249 and net expenditures of \$11,484,681 and \$12,765,873 for the years ended June 30, 2023 and 2022, respectively. As of June 30, 2023 and 2022, the total fund balance of the District's general fund was \$1,752,885 and \$2,197,358 and total fund balance for all the District's governmental funds was \$2,063,501 and \$4,650,131, respectively.

GENERAL FUND BUDGETING HIGHLIGHTS

During the course of the 2023 fiscal year, the District's general fund received \$350,265 more revenues and incurred \$633,649 more expenditures than budgeted. This is primarily the result of more other local source revenue received during the year as well as more operations and maintenance, transportation, capital outlay and extra-curricular expenditures incurred than anticipated during the budgeting process.

CAPITAL ASSETS

As of June 30, 2023 and 2022, the District had \$15,039,824 and \$12,346,751, respectively, invested in net capital assets. Table 4 shows total capital asset balances as of June 30, 2023 and 2022. See Note 4 for details.

Table 4

	2023	2022
Land	\$ 165,719	\$ 120,133
Construction in progress	-	5,892,186
Buildings	11,157,419	3,883,627
Equipment	3,716,686	2,450,805
Total	<u>\$ 15,039,824</u>	<u>\$ 12,346,751</u>

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
JUNE 30, 2023

DEBT ADMINISTRATION:

As of June 30, 2023, the District had \$10,965,100 in outstanding debt. The net increase in the District debt was \$1,579,420 from June 30, 2022. See below and Note 5 for description of the District's debt:

	Balance 7/1/2022	Additions	Retirements	Balance 6/30/2023	Due in One Year
General Obligation School Building Refunding Bonds of 2012	\$ 305,000	\$ -	\$ 120,000	\$ 185,000	\$ -
Limited Tax School Building Fund Bonds of 2017	600,000	-	200,000	400,000	-
Limited Tax School Building Fund Bonds of 2021	4,245,000	-	270,000	3,975,000	-
Lease Liability	75,177	-	14,366	60,811	14,824
Compensated Absences	16,120	-	3,625	12,495	-
Net OPEB Liability	21,035	22,955	8,414	35,576	-
Net Pension Liability	4,198,525	3,085,405	926,901	6,357,029	-
Total	<u>\$ 9,460,857</u>	<u>\$ 3,108,360</u>	<u>\$ 1,543,306</u>	<u>\$ 11,025,911</u>	<u>\$ 14,824</u>

FOR THE FUTURE:

The District's enrollment continues to increase at a faster rate than anticipated over the past six years. Therefore, the District has hired an additional FTE in K-6 for the 2022-2023 school year as well as two additional FTE in high school. The staffing and facility issues of the District will continue to be addressed while utilizing and sharing as many staff as possible with local districts and sharing resources and equipment with other schools when possible.

The District will continue to be aggressive in securing grants to help with revenue and growth. Also, the District will continue to work through the COVID-19 pandemic.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT:

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. You may request a copy of this report by contacting Amanda Bina, Business Manager, Thompson Public School District, P.O. Box 269, Thompson, ND 58278.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities
ASSETS	
Current Assets:	
Cash	\$ 2,382,696
Grants Receivable	97,443
Taxes Receivable	42,140
Total Current Assets	<u>2,522,279</u>
Non-Current Assets:	
Capital Assets	22,453,585
Less Accumulated Depreciation	(7,413,761)
Lease Assets	76,354
Less Accumulated Amortization	(16,543)
Total Non-Current Assets	<u>15,099,635</u>
TOTAL ASSETS	<u>17,621,914</u>
DEFERRED OUTFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	1,191,336
Cost Sharing Defined Benefit Pension Plan - NDPERS	881,735
Cost Sharing Defined Benefit OPEB Plan - NDPERS	23,586
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,096,657</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	349,620
Accrued Liabilities	68,645
Current Portion of Lease Liabilities	14,824
Total Current Liabilities	<u>433,089</u>
Non-Current Liabilities:	
Compensated Absences	12,495
Lease Liabilities (Net of Current Portion)	45,987
Bonds Payable (Net of Current Portion)	4,560,000
Net OPEB Liability	35,576
Net Pension Liability	6,357,029
Total Non-Current Liabilities	<u>11,011,087</u>
TOTAL LIABILITIES	<u>11,444,176</u>
DEFERRED INFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	206,701
Cost Sharing Defined Benefit Pension Plan - NDPERS	591,030
Cost Sharing Defined Benefit OPEB Plan - NDPERS	5,736
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>803,467</u>
NET POSITION	
Net Investment in Capital and Lease Assets	10,478,824
Restricted for Debt Service	17,674
Restricted for Miscellaneous Levy	29,940
Restricted for Student Activities	220,224
Restricted for Capital Projects	55,197
Unrestricted	(3,330,931)
TOTAL NET POSITION	<u>\$ 7,470,928</u>

See Notes to the Financial Statements

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES				
Business Support Services	\$ 81,413	\$ -	\$ -	\$ (81,413)
Instructional Support Services	662,982	-	-	(662,982)
Administration	487,787	-	-	(487,787)
Operations and Maintenance	2,419,468	-	-	(2,419,468)
Transportation	430,928	-	96,638	(334,290)
Regular Instruction	2,157,925	12,983	70,014	(2,074,928)
Special Education	772,729	207,327	33,561	(531,841)
Vocational Education	126,573	-	34,717	(91,856)
Extra-Curricular Activities	691,652	-	-	(691,652)
Food Services	487,364	245,558	140,996	(100,810)
Interest and Fees on Long-Term Debt and Lease Liabilities	76,253	-	-	(76,253)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 8,395,074	\$ 465,868	\$ 375,926	(7,553,280)
	GENERAL REVENUES			
Property Taxes, Levied for General Purposes				1,076,738
Property Taxes, Levied for Debt Service				78,844
Property Taxes, Levied for Capital Projects				316,294
Aids and Payments from the State				6,120,020
Unrestricted Investment Earnings				118,984
Other Revenues				462,052
TOTAL GENERAL REVENUES				8,172,932
Change in Net Position				619,652
Net Position - Beginning				6,851,276
Net Position - Ending				<u><u>\$ 7,470,928</u></u>

See Notes to the Financial Statements

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF JUNE 30, 2023

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 1,722,757	\$ 395,445	\$ 264,494	\$ 2,382,696
Property Taxes Receivable	30,473	9,375	2,292	42,140
Grants Receivable	97,443	-	-	97,443
TOTAL ASSETS	<u>\$ 1,850,673</u>	<u>\$ 404,820</u>	<u>\$ 266,786</u>	<u>\$ 2,522,279</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Accounts Payable	\$ -	\$ 349,623	\$ -	\$ 349,623
Accrued Liabilities	68,496	-	149	68,645
TOTAL LIABILITIES	<u>68,496</u>	<u>349,623</u>	<u>149</u>	<u>418,268</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Delinquent Taxes	29,292	9,012	2,206	40,510
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>29,292</u>	<u>9,012</u>	<u>2,206</u>	<u>40,510</u>
FUND BALANCES				
Restricted	250,164	46,185	15,468	311,817
Committed	-	-	137,093	137,093
Assigned	-	-	111,870	111,870
Unassigned	1,502,721	-	-	1,502,721
TOTAL FUND BALANCES	<u>1,752,885</u>	<u>46,185</u>	<u>264,431</u>	<u>2,063,501</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,850,673</u>	<u>\$ 404,820</u>	<u>\$ 266,786</u>	<u>\$ 2,522,279</u>

See Notes to the Financial Statements

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2023

Total fund balance - governmental funds	\$ 2,063,501
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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.

Cost	\$ 22,453,585	
Less: Accumulated Depreciation	<u>(7,413,761)</u>	
Net		15,039,824

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

Cost	\$ 76,354	
Less: Accumulated Amortization	<u>(16,543)</u>	
Net		59,811

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) or resources in the governmental funds.	1,293,193
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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 unearned in the funds.	40,510
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Long-term liabilities are not due and payable in the current period and, therefore are not reported as liabilities in the funds. These long-term liabilities consisted of the following:

Lease Liabilities		(60,811)
Bonds Payable		(4,560,000)
Compensated Absences		(12,495)
Net OPEB Liability		(35,576)
Net Pension Liability		<u>(6,357,029)</u>

Net Position - Governmental Activities	<u>\$ 7,470,928</u>
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See Notes to the Financial Statements

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local Property Taxes	\$ 1,071,981	\$ 316,294	\$ 78,844	\$ 1,467,119
Other Local Sources	570,441	-	245,558	815,999
Revenue from State Sources	6,244,273	-	1,053	6,245,326
Revenue from Federal Sources	110,680	-	139,943	250,623
Interest	91,752	26,266	966	118,984
TOTAL REVENUES	8,089,127	342,560	466,364	8,898,051
EXPENDITURES				
Current:				
Business Support Services	81,413	-	-	81,413
Instructional Support Services	648,616	-	-	648,616
Administration	487,787	-	-	487,787
Operations and Maintenance	1,762,845	351,173	-	2,114,018
Transportation	371,927	-	-	371,927
Regular Instruction	1,681,047	-	-	1,681,047
Special Education	772,729	-	-	772,729
Vocational Education	126,573	-	-	126,573
Extra-Curricular Activities	691,652	-	-	691,652
Food Services	-	-	487,364	487,364
Capital Outlay:				
Capital Outlay	1,792,490	1,521,195	-	3,313,685
Debt and Lease Service:				
Principal Retirement	14,366	470,000	120,000	604,366
Interest and Fees on Long-Term Debt and Leases	2,155	91,633	9,716	103,504
TOTAL EXPENDITURES	8,433,600	2,434,001	617,080	11,484,681
Excess (Deficiency) of Revenues Over Expenditures	<u>(344,473)</u>	<u>(2,091,441)</u>	<u>(150,716)</u>	<u>(2,586,630)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	100,000	-	100,000
Transfers Out	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(100,000)</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(444,473)	(1,991,441)	(150,716)	(2,586,630)
Fund Balances - Beginning of Year	<u>2,197,358</u>	<u>2,037,626</u>	<u>415,147</u>	<u>4,650,131</u>
Fund Balances - End of Year	<u>\$ 1,752,885</u>	<u>\$ 46,185</u>	<u>\$ 264,431</u>	<u>\$ 2,063,501</u>

See Notes to the Financial Statements

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE DISTRICT-WIDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Total net change in fund balances - Governmental Funds \$ (2,586,630)

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 useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 3,313,685	
Depreciation expense	<u>(508,694)</u>	2,804,991

Loss on Disposal of Capital Assets (111,918)

Lease payments are reported in the governmental funds as expenditures. However, in the statement of activities, those assets are set up as lease assets and amortized over the life of the lease along with interest expenses. In the current period, this resulted in the following difference:

Amortization expense - leases	\$ (15,271)	
Interest expense - leases	(2,155)	
Fund financials expenses - leases	<u>16,521</u>	(905)

Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position. 590,000

Change in OPEB liability (14,541)

Change in net pension liability (2,158,504)

(Increase) Decrease in compensated absences 3,625

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 deferred property taxes	4,757
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Changes in deferred outflows and inflows of resources related to net pension liability 2,059,371

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 decreased by \$29,406

29,406

Change in Net Position - Governmental Activities \$ 619,652

See Notes to the Financial Statements

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2023

NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Thompson Public School District operates the public schools in the City of Thompson, North Dakota. There is one elementary school and one junior/senior high school that is enclosed in one building.

Reporting Entity - Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of an organization's governing body and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources. Component units may also include organizations that are fiscally dependent on the District. Fiscal dependence can include the District's approval of the budget, issuance of debt, and/or levying of taxes for the organization.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

Basis of Presentation:

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

Government-Wide Financial Statements:

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.

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.

As a general rule, the effect of inter-fund activity has been eliminated from the District-wide statements.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

The Government-wide financial statements do not include fiduciary funds of component units that are fiduciary in nature.

Fund Financial Statements:

In order to aid financial management and to demonstrate legal compliance, the District segregates transactions related to certain functions or activities in separate funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The focus of the governmental fund financial statements is on major funds. Each major fund is presented as a separate column in the fund financial statements. Non-major funds are aggregated and presented in a single column.

Fund Accounting

The District's funds consist of the following:

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, deferred inflows and outflows of resources, and liabilities. The District's major governmental funds are as follows:

General Fund

This fund is the general operating fund of the District. It accounts for all financial resources except those requiring to be accounted for in another fund, including the Student Activity Fund.

Building Fund

The Building 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.

The District's non-major governmental funds are as follows:

Food Service Fund

This Food Service fund is used to account for the accumulation of revenue and proceeds and for the payments of expenditures related to the providing of meals at the District.

Bond Sinking Fund

The Bond Sinking fund is used to account for the accumulation of resources for, and the payments of bonds.

Special Reserve Fund

The Special Reserve fund is used to account for the proceeds of certain specific revenue sources that are committed for specified purposes.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

Measurement Focus and Basis of Accounting

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

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 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.

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

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.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

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 is 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.

Major 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.

On the governmental fund financial statements, receivables that will also not be collected during the availability period have been reported as deferred revenue.

Expenses and Expenditures:

Governmental funds accounting measurement focus is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recorded in the fiscal year in which the related fund liability is incurred. Under the accrual basis of accounting, expenses are recorded when incurred.

Budgets and Budgetary Accounting:

The District's Board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School District, annually on or before the last day of July must levy taxes. The governing body of the School District may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year. Taxes for School District purposes must be based upon an itemized budget statement which must show the complete expenditure by program of the District for the current fiscal year and the sources of the revenue from which it is to be financed. The School Board, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the District and to provide a sinking fund to pay and discharge the principal thereon at maturity.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The administration prepares the District's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.
2. The Board reviews the budget, may make revisions, and adopts the final budget on or before August 15th of each year. The budget is then filed with the county auditor by August 25th 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 10th of each year. The budget amounts shown in the financial statements are the final authorized amounts.
4. All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

Cash and Cash Equivalents:

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

Investments:

Investments are recorded at market value. North Dakota State statute authorizes school districts to invest their 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, instrumentality's, 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 of the state, d) Obligations of the state.

Fair Value Measurements:

The Organization accounts for all assets and liabilities that are being measured and reported on a fair value basis in accordance with GAAP. GAAP defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements.

When fair value measurements are required, various data is used in determining those values. This statement requires that assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

Capital Assets:

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported as assets in the fund financial statements. All capital assets are recorded at cost (or estimated historical cost). The assets are updated for additions and retirements during the District's fiscal year. The District has established a capitalization threshold of \$5,000. Donated fixed assets are recorded at their acquisition values at the date received. The District does not have any infrastructure assets. Improvements that significantly extend the useful life of the asset are also capitalized.

The District's land and construction in progress costs are capitalized but are not depreciated. All the remaining capital assets are depreciated over their estimated useful lives on a straight-line basis. The District has established the following useful lives:

Buildings	50 Years
Equipment	5 to 20 Years

Leases

The determination of whether an arrangement contains a lease is made at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the District has control of the right to use asset. Control includes the right to obtain present service capacity and the right to determine the nature and manner of use of the underlying asset, as specified in the contract.

Leases with an initial lease term of more than 12 months, or that contain an option to purchase that the District is reasonably certain to exercise, are recognized based on the present value of lease payments over the lease term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the District uses its incremental borrowing rate based on the information available at the lease commencement date. The District has made an accounting policy election to use a risk free rate based on US Treasury T-bill rate as of the lease commencement. The District accounts for lease agreements with lease and non-lease components together as a single lease component for all underlying classes of assets.

The District continues to record rent expense for short term leases on a straight-line basis over the lease term. Short term leases have a term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the District are reasonably certain to exercise.

The depreciable life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

The District's lease agreements do not include any material residual value guarantees or restrictive covenants.

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.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

Compensated Absences:

Vacation and sick pay applies to full-time non-certified staff and is recorded as an expenditure when paid.

Sick leave for full time employees will be accumulated at the rate of one day for each month of continuous service, not to exceed 12 days per year. Sick leave for full-time employees will be allowed to accumulate to a maximum of 90 days. Sick leave for part-time employees will not exceed 12 days for twelve month employees and 9 days for nine month employees. Sick leave for part-time employees will be allowed to accumulate to a maximum of 90 days for twelve month employees and 54 days for nine month employees. Teachers with 20 years of service or more to the District will be reimbursed \$20 for each unused accumulated sick leave day, not to exceed 90 days when they resign or retire.

Full-time employees are eligible for anywhere from five to twenty vacation days depending on years of service. Vacation may not be carried over to the next fiscal year. Upon termination of employment, all unused vacation earned will be paid.

Pensions:

For the 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 North Dakota Public Employees Retirement System (NDPERS) and Teachers' Fund for Retirement (TFFR) and additions to/deductions from NDPERS and TFFR's fiduciary net position have been determined on the same basis as they are reported by NDPERS and 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.

Other Post-Employment Benefits (OPEB):

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

Fund Balance Classifications:

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

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

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

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

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

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

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

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

The school board has set a General Fund minimum fund balance target at 25% of expenditures and recurring transfers.

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 then. The District has two items reported on the statement of net position as *cost sharing defined benefit pension plan* and *cost sharing defined benefit OPEB plan*, which represents actuarial differences within the NDPERS and TFFR pension plans and NDPERS OPEB plan as well as amounts paid to the plans after the measurement date.

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 revenue – delinquent taxes*, 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 two items reported on the statement of net position as *cost sharing defined benefit plan* and *cost sharing*

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

defined benefit OPEB plan, which represents the actuarial differences within the NDPERS and TFFR pension plans and NDPERS OPEB plan.

Net Position:

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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. Inter-fund activities within the District's governmental activities and its business-type activities, is eliminated in the statement of activities.

Estimates:

The preparation of the 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 accompanying notes. Actual results may differ from those estimates.

Revenue Recognition - Property Taxes:

Taxes receivable consist of current and delinquent uncollected taxes at June 30, 2023.

Property taxes attach as an enforceable lien on property January 1. A five percent reduction is allowed if paid by February 15. Penalty and interest are added March 15 if the first half of the taxes have not been paid. Additional penalties are added October 15, if not paid. Taxes are collected by the county and usually remitted monthly to the School District.

Property tax revenue in the governmental funds is recognized in compliance with National Council of Government Accounting (NCGA) Interpretation 3, *Revenue Recognition - Property Taxes*. This interpretation states that property tax revenue is recorded when it becomes available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Property tax revenue is recorded as revenue in the year the tax is levied in the government - wide financial statements. Property taxes are limited by state laws. All School District tax levies are in compliance with state laws.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

Significant Group Concentrations of Credit Risk:

As of June 30, 2023, the District's receivables consist of amounts due from other governmental units within the State of North Dakota.

NOTE 3 CASH AND CASH EQUIVALENTS

Custodial Credit Risk – Deposits:

In accordance with North Dakota laws, the District maintains deposits at a depository authorized by the School Board. The depository is a member of the Federal Reserve System.

North Dakota laws require that all public deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal at least 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral includes the legal investments described below, as well as certain first mortgage notes, and certain other state or local government obligations. North Dakota laws require that securities pledged as collateral be held in safekeeping by the District treasurer or in a financial institution other than that furnishing the collateral.

At June 30, 2023, the carrying amount of the District's deposits was \$2,382,696 and the bank balance was \$2,451,724. The entire bank balance was covered by Federal Depository Insurance or by collateral held by the District's agent in the District's name in amounts sufficient to meet North Dakota legal requirements.

Credit Risk:

The District may also invest idle funds as authorized by North Dakota laws, as follows:

- 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.

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.

Concentration of Credit Risk:

The District places no limit on the amount the District may invest in any one issuer.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

Custodial Credit Risk – Investments:

The investments are not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement 40.

NOTE 4 CAPITAL ASSETS

The following is a summary of changes in the capital asset account group during the year:

Governmental Activities	Balance July 1, 2022	Additions	Disposals	Adjustments	Balance June 30, 2023
Capital Assets Not Being Depreciated					
Land	\$ 120,133	\$ 45,586	\$ -	\$ -	\$ 165,719
Construction in Progress	5,892,186	2,676,493	-	(8,568,679)	-
Total Capital Assets Not Being Depreciated	6,012,319	2,722,079	-	(8,568,679)	165,719
Capital Assets Being Depreciated					
Buildings	7,894,602	133,238	118,015	7,447,254	15,357,079
Equipment	5,350,994	458,368	-	1,121,425	6,930,787
Total Capital Assets Being Depreciated	13,245,596	591,606	118,015	8,568,679	22,287,866
Less Accumulated Depreciation					
Buildings	4,010,975	194,782	6,097	-	4,199,660
Equipment	2,900,189	313,912	-	-	3,214,101
Total Accumulated Depreciation	6,911,164	508,694	6,097	-	7,413,761
Net Capital Assets Being Depreciated	6,334,432	82,912	111,918	8,568,679	14,874,105
Net Capital Assets for Governmental Activities	\$ 12,346,751	\$ 2,804,991	\$ 111,918	\$ -	\$ 15,039,824

In the governmental activities statement of activities, depreciation expense was charged to the following governmental functions:

	Depreciation	Additions - Net of Trade- in Allowance
Elementary and Secondary Regular Instruction	\$ 254,911	\$ 8,400
Operations and Maintenance	194,782	3,145,965
Transportation	59,001	159,320
Total	\$ 508,694	\$ 3,313,685

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

NOTE 5 LONG-TERM DEBT

The School District issued bonds in prior years to provide funding for the construction of additions and improvements to existing facilities. Long-term debt is as follows:

	Balance 7/1/2022	Additions	Retirements	Balance 6/30/2023	Due in One Year
General Obligation School Building Refunding Bonds of 2012	\$ 305,000	\$ -	\$ 120,000	\$ 185,000	\$ -
Limited Tax School Building Fund Bonds of 2017	600,000	-	200,000	400,000	-
Limited Tax School Building Fund Bonds of 2021	4,245,000	-	270,000	3,975,000	-
Compensated Absences	16,120	-	3,625	12,495	-
Net OPEB Liability	21,035	22,955	8,414	35,576	-
Net Pension Liability	4,198,525	3,085,405	926,901	6,357,029	-
Total	<u>\$ 9,385,680</u>	<u>\$ 3,108,360</u>	<u>\$1,528,940</u>	<u>\$10,965,100</u>	<u>\$ -</u>

The General Obligation School Building Refunding Bonds of 2012 carries an interest rate of 2-2.35%, matures in the year ending June 30, 2027 and is secured by property taxes. The Limited Tax School Building Fund Bonds of 2017 carries an interest rate of 1.75-2.4%, matures in the year ending June 30, 2028 and secured by funds received from the School Building Fund Levy. The Limited Tax School Building Fund Bonds of 2021 carries an interest rate of 1.00-1.65%, matures in the year ending June 30, 2041 and secured by funds received from the School Building Fund Levy.

Compensated absences, net OPEB liability and net pension liability are generally liquidated through the general fund.

Interest expense was \$103,504 for the year ended June 30, 2023.

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

Year Ending June 30	2012 General Obligation School Building Refunding Bonds		
	Principal	Interest	Total
2024	\$ -	\$ 2,299	\$ 2,299
2025	60,000	3,893	63,893
2026	65,000	2,359	67,359
2027	60,000	765	60,765
Total	<u>\$ 185,000</u>	<u>\$ 9,316</u>	<u>\$ 194,316</u>

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

Year Ending June 30	2017 Limited Tax School Building Fund Bonds		
	Principal	Interest	Total
2024	\$ -	\$ 3,975	\$ 3,975
2025	100,000	7,250	107,250
2026	100,000	5,500	105,500
2027	100,000	3,360	103,360
2028	100,000	960	100,960
Total	<u>\$ 400,000</u>	<u>\$ 21,045</u>	<u>\$ 421,045</u>

Year Ending June 30	2021 Limited Tax School Building Fund Bonds		
	Principal	Interest	Total
2024	\$ -	\$ 24,327	\$ 24,327
2025	140,000	47,955	187,955
2026	140,000	46,555	186,555
2027	145,000	45,130	190,130
2028	150,000	43,655	193,655
2029-2033	1,240,000	183,615	1,423,615
2034-2038	1,320,000	112,199	1,432,199
2039-2041	840,000	20,603	860,603
Total	<u>\$ 3,975,000</u>	<u>\$ 524,039</u>	<u>\$ 4,499,039</u>

NOTE 6 LEASES

The District leases copy machines at its school location in Thompson, North Dakota. The term of the lease is for a period of 60 months, commencing in June 2022 and terminating in May 2027, with a monthly payment of \$1,377.

Following is the total lease expense for the year ended June 30, 2023:

Lease expense	Year Ending 6/30/2023
Amortization expense by class of underlying asset	
Copy Machines	<u>\$ 15,271</u>
Total amortization expense	15,271
Interest on lease liabilities	2,155
Variable lease expense	-
Total	<u><u>\$ 17,426</u></u>

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

Following is a schedule of activity of leased assets and lease liabilities for the year ended June 30, 2023:

	7/1/2022	Additions	Modifications & Remeasurements	Subtractions	6/30/2023	Amounts Due Within One Year
Lease Assets						
Copy Machines	\$ 76,354	\$ -	\$ -	\$ -	\$ 76,354	
Less: Accumulated Amortization						
Copy Machines	(1,272)	(15,271)	-	-	(16,543)	
Total Lease Assets, net	<u>\$ 75,082</u>	<u>\$ (15,271)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,811</u>	
Lease Liabilities	<u>\$ 75,177</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,366)</u>	<u>\$ 60,811</u>	<u>\$ 14,824</u>

Following is a schedule by years of future minimum payments required under the lease

Year ending June 30,	Principal	Interest	Total Payments
2024	\$ 14,824	\$ 1,697	\$ 16,521
2025	15,296	1,225	16,521
2026	15,783	738	16,521
2027	14,908	235	15,143
Total Future Payments	<u>\$ 60,811</u>	<u>\$ 3,895</u>	<u>\$ 64,706</u>

NOTE 7 FUND BALANCES

At June 30, 2023, a summary of the governmental fund balance classifications are as follows:

	General Fund	Building Fund	Bond Sinking Fund	Food Service	Special Reserve	Total
Restricted for:						
Debt Service	\$ -	\$ -	\$ 15,468	\$ -	\$ -	\$ 15,468
Miscellaneous Levy	29,940					29,940
Student Activities	220,224					220,224
Capital Projects	-	46,185	-	-	-	46,185
Committed						
Special Reserve	-	-	-	-	137,093	137,093
Assigned to:						
Food Service	-	-	-	111,870	-	111,870
Unassigned						
General Fund	<u>1,502,721</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,502,721</u>
Total Restricted	<u>\$1,752,885</u>	<u>\$ 46,185</u>	<u>\$ 15,468</u>	<u>\$111,870</u>	<u>\$137,093</u>	<u>\$2,063,501</u>

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

NOTE 8 DEFINED BENEFIT PENSION PLANS - STATEWIDE

Substantially, all employees of the District are required by state law to belong to pension plans administered by the Teacher's Fund for Retirement (TFFR) or the North Dakota Public Employees Retirement System (NDPERS), both of which are administered on a statewide basis.

Disclosures relating to these plans follow:

North Dakota Teachers' 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.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

Member and Employer Contributions

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

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

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

At June 30, 2023, the District reported a liability of \$5,274,182 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 July 1, 2022, the Employer's proportion was 0.362225%, which was an increase of 0.012517% from its proportion measured at July 1, 2021.

For the year ended June 30, 2023, the Employer recognized pension expense of \$407,996. At June 30, 2023, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 22,730	\$ 140,818
Changes in actuarial assumptions	107,245	-
Difference between projected and actual investment earnings	395,044	-
Changes in proportion	267,572	65,883
Contributions paid to TFFR subsequent to the measurement date	398,745	-
Total	<u>\$ 1,191,336</u>	<u>\$ 206,701</u>

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

\$398,745 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	\$ 139,825
2025	76,278
2026	(14,473)
2027	346,240
2028	10,274
Thereafter	27,746

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
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.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

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%

Discount Rate

The discount rate used to measure the total pension liability was 7.25% 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, the 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 the net pension liability of the TFFR employers calculated using the discount rate of 7.25% as of June 30, 2022, as well as what the Employer's 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%
School's proportionate share of the TFFR net pension liability:	\$ 7,246,243	\$ 5,274,182	\$ 3,638,606

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>.

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

North Dakota Public Employees' Retirement System

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020, the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service. The Main Plan will be closed to new employees with the passage of House Bill 1040. The effective date is dependent upon NDPERS implementing the changes to set up a new defined contribution (DC) plan. If the DC plan is set up by December 31, 2023, then the effective date of the Main Plan closure will be January 1, 2024. If the changes cannot be accomplished by then, the effective date will be January 1, 2025.

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

Death and Disability Benefits

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

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

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

Refunds of Member Account Balance

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation. Employer contribution rates increase by 1% beginning January 1, 2024.

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

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

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

At June 30, 2023, the District reported a liability of \$1,082,847 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2022, the District's proportion was 0.037598%, which was a decrease of 0.011698% from its proportion measured at June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$148,486. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 5,649	\$ 20,684
Difference between contribution and proportionate share contribution	647,559	401,451
Changes in actuarial assumptions	39,632	-
Difference between projected and actual investment earnings	144,434	168,895
Contributions paid to NDPERS subsequent to the measurement date	44,461	-
Total	<u>\$ 881,735</u>	<u>\$ 591,030</u>

\$44,461 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year 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:

<u>Year Ending June 30:</u>	<u>Pension Expense Amount</u>
2024	\$ 87,769
2025	101,546
2026	(16,671)
2027	73,600
2028	-

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	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	5.10%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

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

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real
		Rate of Return
Domestic Equity	30.00%	5.75%
International Equity	21.00%	6.45%
Private Equity	7.00%	9.20%
Domestic Fixed Income	23.00%	0.34%
Global Real Assets	19.00%	4.35%

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.69%; and the resulting Single Discount Rate is 5.10%.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 5.10 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.10 percent) or 1 percentage point higher (6.10 percent) than the current rate:

	1% Decrease in Discount Rate		Discount Rate		1% Increase in Discount Rate	
	4.10%		5.10%		6.10%	
School's proportionate share of the						
NDPERS net pension liability:	\$	1,429,284	\$	1,082,847	\$	798,435

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

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

NOTE 9 DEFINED BENEFIT OPEB PLAN

North Dakota Public Employees Retirement System

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

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. . Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

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

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

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

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

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

At June 30, 2023, the District reported a liability of \$35,576 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2022, the District's proportion was 0.029639 percent, which was a decrease of 0.008182% from June 30, 2021.

For the year ended June 30, 2023, the District recognized OPEB expense of \$3,446. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 843	\$ 306
Changes of assumptions	8,961	-
Net difference between projected and actual earnings on OPEB plan investments	4,790	-
Changes in proportion and differences between employer contributions and proportionate share of contribution	3,766	5,430
District contributions subsequent to the measurement date	5,226	-
Total	<u>\$ 23,586</u>	<u>\$ 5,736</u>

\$5,226 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

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

Year Ending June 30:		
2024	\$	3,366
2025		3,118
2026		2,859
2027		3,281

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

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	5.75%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Broad US Equities	39.00%	5.75%
International Equities	26.00%	6.00%
Domestic Fixed Income	35.00%	0.22%

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

Discount rate. The discount rate used to measure the total OPEB liability was 5.39%. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the Plans as of June 30, 2022, calculated using the discount rate of 5.39%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.39 percent) or 1-percentage-point higher (6.39 percent) than the current rate:

	1% Decrease in Discount Rate 4.39%	Discount Rate 5.39%	1% Increase in Discount Rate 6.39%
District's proportionate share of the net OPEB liability	\$ 45,411	\$ 35,576	\$ 27,320

Pension Plan Fiduciary Net Position

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

NOTE 10 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.

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

The District participates in the North Dakota Fire and Tornado Fund and State Bonding Fund. The District pays an annual premium to the Fire and Tornado fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

The State Bonding Fund currently provides the District with blanket fidelity bond coverage with a limit of \$800,000. The State Bonding Fund does not currently charge a premium for this coverage.

The District carries commercial insurance for employee's health and the District also participates in the workers' compensation program through the State of North Dakota. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 11 TRANSFERS

The District transferred internal District funds of \$100,000 from the General Fund to the Building Fund for a construction project during the year ended June 30, 2023.

NOTE 12 CONTINGENT LIABILITIES

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.

NOTE 13 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 \$31,325.

NOTE 14 NEW PRONOUNCEMENTS

GASB Statement 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.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

- 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.
- 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

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2023

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 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 15 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through September 6, 2023, which is the date these financial statements were available to be issued.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts			
	Original	Final	Actual	Over (Under) Final Budget
REVENUES				
Local Property Taxes	\$ 1,106,830	\$ 1,106,830	\$ 1,071,981	\$ (34,849)
Other Local Sources	328,530	328,530	570,441	241,911
Revenue from State Sources	6,170,497	6,170,497	6,244,273	73,776
Revenue from Federal Sources	93,005	93,005	110,680	17,675
Interest	40,000	40,000	91,752	51,752
TOTAL REVENUES	7,738,862	7,738,862	8,089,127	350,265
EXPENDITURES				
Business Support Services	82,160	82,160	81,413	(747)
Instructional Support Services	758,127	758,127	648,616	(109,511)
Administration	802,634	802,634	487,787	(314,847)
Operations and Maintenance	1,308,747	1,308,747	1,762,845	454,098
Transportation	303,125	303,125	371,927	68,802
Regular Instruction	2,470,471	2,470,471	1,681,047	(789,424)
Special Education	743,970	743,970	772,729	28,759
Vocational Education	124,491	124,491	126,573	2,082
Capital Outlay	906,781	906,781	1,792,490	885,709
Principal Retirement	-	-	14,366	14,366
Interest and Fees On Long-Term Debt and Leases	-	-	2,155	2,155
Extra-Curricular Activities	299,445	299,445	691,652	392,207
TOTAL EXPENDITURES	7,799,951	7,799,951	8,433,600	633,649
Excess (Deficiency) of Revenues Over Expenditures	(61,089)	(61,089)	(344,473)	(283,384)
OTHER FINANCING SOURCES (USES)				
Transfer Out	-	-	(100,000)	(100,000)
TOTAL OTHER FINANCING USES	-	-	(100,000)	(100,000)
Net Change in Fund Balances	(61,089)	(61,089)	(444,473)	(383,384)
Fund Balances - Beginning of Year	2,197,358	2,197,358	2,197,358	
Fund Balances - End of Year	\$ 2,136,269	\$ 2,136,269	\$ 1,752,885	\$ (383,384)

See Note to the Budgetary Comparison Schedule

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTE TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 BUDGETARY COMPARISON

Budgets and Budgetary Accounting:

The District's Board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School District, annually on or before the last day of July must levy taxes. The governing body of the School District may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year. Taxes for School District purposes must be based upon an itemized budget statement which must show the complete expenditure by program of the District for the current fiscal year and the sources of the revenue from which it is to be financed. The School Board, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the District and to provide a sinking fund to pay and discharge the principal thereon at maturity. During the current year, actual expenditures exceeded budgeted expenditures by \$633,649.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The administration prepares the District's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.
2. The Board reviews the budget, may make revisions, and adopts the final budget on or before August 15th of each year. The budget is then filed with the county auditor by August 25th 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 10th of each year. The budget amounts shown in the financial statements are the final authorized amounts.
4. All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE TFR/NDPERS RETIREMENT PLANS
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	\$ 398,745	\$ (398,745)	-	\$ 3,127,843	12.75%
2022	363,425	(363,425)	-	2,850,392	12.75%
2021	343,637	(343,637)	-	2,695,196	12.75%
2020	331,126	(331,126)	-	2,597,070	12.75%
2019	316,019	(316,019)	-	2,478,584	12.75%
2018	301,905	(301,905)	-	2,367,880	12.75%
2017	287,922	(287,922)	-	2,258,242	12.75%
2016	265,899	(265,899)	-	2,085,483	12.75%
2015	243,803	(243,803)	-	1,912,181	12.75%

North Dakota Public Employees Retirement System

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	\$ 44,461	\$ (44,461)	-	\$ 599,770	7.41%
2022	41,617	(41,617)	-	552,861	7.53%
2021	40,498	(40,498)	-	545,293	7.43%
2020	29,408	(29,408)	-	413,037	7.12%
2019	26,218	(26,218)	-	368,230	7.12%
2018	25,622	(25,622)	-	359,866	7.12%
2017	26,561	(26,561)	-	366,651	7.24%
2016	26,403	(26,403)	-	365,776	7.22%
2015	24,156	(24,156)	-	332,743	7.26%

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

See Note to the Required Supplementary Information

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE NDPERS OPEB PLANS
LAST TEN YEARS

North Dakota Public Employees Retirement System - OPEB

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the		Contribution Deficiency (Excess)	District's Covered - Employee Payroll	Contributions as a Percentage of Covered - Employee Payroll
		Statutorily Required Contributions	Contributions			
2023	\$ 5,226	\$	5,226	\$ -	\$ 599,770	0.87%
2022	4,050		4,050	-	552,861	0.73%
2021	4,709		4,709	-	545,293	0.86%
2020	4,709		4,709	-	413,037	1.14%
2019	4,198		4,198	-	368,230	1.14%
2018	4,103		4,103	-	359,866	1.14%

The District implemented GASB Statement No. 75 for its fiscal year ended June 30, 2018. Information for prior years is not available.

See Note to the Required Supplementary Information

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

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	0.362225%	\$ 5,274,182	\$ 2,850,391	185.03%	67.50%
2022	0.349708%	3,684,713	2,695,195	136.71%	75.70%
2021	0.355875%	5,446,685	2,596,683	209.76%	63.40%
2020	0.353312%	4,865,998	2,478,584	196.32%	65.50%
2019	0.348315%	4,642,548	2,367,880	196.06%	65.50%
2018	0.336027%	4,615,423	2,268,089	203.49%	63.20%
2017	0.320979%	4,702,535	2,085,482	225.49%	59.20%
2016	0.310871%	4,065,742	1,912,181	212.62%	62.10%
2015	0.321196%	3,365,565	1,863,106	180.64%	66.60%

North Dakota Public Employees Retirement System

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	0.037600%	\$ 1,082,847	\$ 436,452	248.10%	54.47%
2022	0.049296%	513,812	545,293	94.23%	78.26%
2021	0.040219%	1,265,298	443,669	285.19%	48.91%
2020	0.030500%	357,529	317,297	112.68%	71.66%
2019	0.029480%	497,440	302,810	164.27%	62.80%
2018	0.036620%	588,588	373,822	157.45%	61.98%
2017	0.034580%	337,045	365,776	92.15%	61.98%
2016	0.035250%	239,714	332,743	72.04%	70.46%
2015	0.038070%	241,613	323,403	74.71%	77.15%

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.

See Note to the Required Supplementary Information

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

North Dakota Public Employees Retirement System -OPEB

For the Fiscal Year Ended June 30	District's proportion of the net OPEB liability (asset)	District's proportionate share of the net OPEB liability (asset)	District's covered - employee payroll	District's proportionate share of the net OPEB liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2023	0.0296%	\$ 35,576	\$ 305,991	11.63%	56.28%
2022	0.0378%	21,035	412,345	5.10%	76.63%
2021	0.0344%	28,949	392,305	7.38%	63.38%
2020	0.0284%	22,839	368,230	6.20%	63.13%
2019	0.0277%	21,795	359,866	6.06%	61.89%
2018	0.0346%	27,333	366,651	7.45%	59.78%

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. 75 for its fiscal year ended June 30, 2018. Information for prior years is not available.

See Note to the Required Supplementary Information

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 CHANGES OF BENEFIT TERMS AND 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.

NDPERS

Changes of benefit terms.

The interest rate earned on member contributions will decrease from 6.50 percent to 6.00 percent effective January 1, 2023 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

Changes of assumptions.

The investment return assumption was updated from 7.00% to 6.50% beginning with the actuarial valuation as of July 1, 2022. All other actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020.

OPEB

Changes of benefit terms.

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

Changes of assumptions.

The investment return assumption was updated from 6.50% to 5.75% beginning with the actuarial valuation as of July 1, 2022. All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2021.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2023

	Food Service	Bond Sinking	Special Reserve	Total Non-Major Governmental Funds
ASSETS				
Cash	\$112,019	\$ 15,382	\$137,093	\$ 264,494
Property Taxes Receivable	-	2,292	-	2,292
TOTAL ASSETS	<u>\$112,019</u>	<u>\$ 17,674</u>	<u>\$137,093</u>	<u>\$ 266,786</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Accrued Liabilities	\$ 149	\$ -	\$ -	\$ 149
TOTAL LIABILITIES	<u>149</u>	<u>-</u>	<u>-</u>	<u>149</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Delinquent Taxes	-	2,206	-	2,206
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>2,206</u>	<u>-</u>	<u>2,206</u>
FUND BALANCES				
Restricted	-	15,468	-	15,468
Committed	-	-	137,093	137,093
Assigned	<u>111,870</u>	<u>-</u>	<u>-</u>	<u>111,870</u>
TOTAL FUND BALANCES	<u>111,870</u>	<u>15,468</u>	<u>137,093</u>	<u>264,431</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$112,019</u>	<u>\$ 17,674</u>	<u>\$137,093</u>	<u>\$ 266,786</u>

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Food Service	Bond Sinking	Special Reserve	Total Non-Major Governmental Funds
REVENUES				
Local Property Taxes	\$ -	\$ 78,844	\$ -	\$ 78,844
Other Local Sources	245,558	-	-	245,558
Revenue from State Sources	1,053	-	-	1,053
Revenue from Federal Sources	139,943	-	-	139,943
Interest	52	914	-	966
TOTAL REVENUES	386,606	79,758	-	466,364
EXPENDITURES				
Current:				
Food Services	487,364	-	-	487,364
Debt Service:				
Principal Retirement	-	120,000	-	120,000
Interest and Fees On Long-Term Debt	-	9,716	-	9,716
TOTAL EXPENDITURES	487,364	129,716	-	617,080
Excess of Revenues Over Expenditures	(100,758)	(49,958)	-	(150,716)
Net Change in Fund Balances	(100,758)	(49,958)	-	(150,716)
Fund Balances - Beginning	212,628	65,426	137,093	415,147
Fund Balances - Ending	\$ 111,870	\$ 15,468	\$ 137,093	\$ 264,431

**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
Thompson Public School District No. 61
Thompson, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Thompson Public School District No. 61 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, and have issued our report thereon dated September 6, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Thompson Public School District No. 61's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-001 and 2023-002 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Thompson Public School District No. 61's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance 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 them.

Purpose of This Report

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



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

September 6, 2023

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023

2023-001 Finding

Criteria

Generally, a system of internal control contemplates separation of duties that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction.

Condition

Lack of sufficient segregation of duties.

Cause

Size and budget constraints limiting the number of personnel within the accounting department.

Effect

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

Recommendation

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

Management's Response

Due to additional costs, the District will continue to keep the staff at the current level. The District will try to involve the Board more actively in the review and supervision of disbursements and transactions

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

2023-002 Finding

Criteria

An appropriate system of internal controls requires the District to prepare financial statements and propose material journal entries 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 of Education. However, the District currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The District has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause

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

Effect

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

Recommendation

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

Management's Response

The District will continue to have the auditor prepare the financial statements; however, the District has established an internal control policy to document the annual review of the financial statements.