# LARIMORE PUBLIC SCHOOL DISTRICT
**Larimore, North Dakota**

## AUDITED FINANCIAL STATEMENTS
**Year Ended June 30, 2024**

**LARIMORE PUBLIC SCHOOL DISTRICT**
**Larimore, North Dakota**

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**June 30, 2024**

**LARIMORE PUBLIC SCHOOL DISTRICT**
**Larimore, North Dakota**

**OFFICIAL DIRECTORY**
**June 30, 2024**

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| | |
|---|---|
| Mitch McCoy | President |
| Meg Farrel | Vice-President |
| Jesse Gravdahl | Board Member |
| Todd Yahna | Board Member |
| Wanda Asperhelm | Board Member |
| Steve Swiontek | Superintendent |
| Shauna Sather | Business Manager |

Nadine Julson, LLC
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

School Board
Larimore Public School District
Larimore, 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 Larimore Public School District (the "District"), as of and for the year ended June 30, 2024, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof 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 (GAAS) 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 the District, 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.

**Emphasis of Matter – Restatement**

As discussed in Note 18 to the financial statements, there was an error in long-term liabilities and a change of capitalization methods for fixed assets that occurred during the current year. Accordingly, an adjustment has been made to net position as of June 30, 2023 to correct the error and change of accounting method. Our opinion is not modified with respect to that matter.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.



*Nadine Julson, LLC*

*506 Dakota Ave. | Wahpeton, ND 58075 | www.julsoncpa.com | T 701.642.8146 | F 701.642.8165*

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 GAAS 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 GAAS 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 District'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 District'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 budgetary comparison schedules, schedules of employer's proportionate share of net pension and OPEB liability and employer contributions, and notes to required supplementary information 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.

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

**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 nonmajor governmental funds – combining balance sheet and nonmajor governmental funds – combining schedule of revenues, expenditures, and changes in fund balance 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 nonmajor governmental funds – combining balance sheet and nonmajor governmental funds – combining schedule of revenues, expenditures, and changes in fund balance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Information Included in the Annual Report**

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2024 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.

Nadine Julson, LLC

Nadine Julson, LLC
Wahpeton, North Dakota
December 6, 2024

**LARIMORE PUBLIC SCHOOL DISTRICT**
**Larimore, North Dakota**

**STATEMENT OF NET POSITION**
**June 30, 2024**

| | |
|---|---|
| ASSETS | |
| Current Assets | |
| Cash and Cash Equivalents | $ 989,960 |
| Savings and CD's | 1,856,640 |
| Taxes Receivable | 107,986 |
| Total Current Assets | 2,954,586 |
| Capital Assets | |
| Non-depreciable | |
| Land | 847,707 |
| Depreciable, net of accumulated depreciation/amortization | |
| Buildings and Improvements | 6,195,797 |
| Vehicles and Equipment | 447,483 |
| Lease Assets | 57,235 |
| Total Capital Assets | 7,548,222 |
| Total Assets | 10,502,808 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred Outflows Related to Pension & OPEB | 1,255,843 |
| Total Assets and Deferred Outflows of Resources | 11,758,651 |
| LIABILITIES | |
| Current Liabilities | |
| Accounts Payable | 229,902 |
| Current Potion of Long-term Debt | |
| Lease Liability | 27,871 |
| Special Assessments Payable | 18,931 |
| Bond Premium | 1,079 |
| Total Current Liabilities | 277,783 |
| Due After One Year | |
| General Obligation Bonds Payable | 3,539,022 |
| Lease Liability | 33,130 |
| Special Assessments Payable | 626,380 |
| Bond Premium | 11,867 |
| Compensated Absences | 23,933 |
| Pension and OPEB Liability | 4,708,043 |
| Total Long-term Liabilities | 8,942,375 |
| Total Liabilities | 9,220,158 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred Inflows Related to Pension & OPEB | 1,424,620 |
| Total Liabilities and Deferred Inflows of Resources | 10,644,778 |
| NET POSITION | |
| Net Investment in Capital Assets | 3,291,685 |
| Restricted | 1,115,606 |
| Unrestricted (Deficit) | (3,293,418) |
| Total Net Position | $ 1,113,873 |

See Notes to Financial Statements

**LARIMORE PUBLIC SCHOOL DISTRICT**
**Larimore, North Dakota**

**STATEMENT OF ACTIVITIES**
**Year Ended June 30, 2024**

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Net (Expense) Revenue and Changes in Net Position: Governmental Activities |
|---|---|---|---|---|
| Regular Instruction | $ 2,633,545 | $ 90,958 | $ 485,574 | $ (2,057,013) |
| Special Instruction | 516,692 | - | - | (516,692) |
| Vocational Instruction | 222,001 | - | 45,199 | (176,802) |
| Pupil Services | 572,824 | - | - | (572,824) |
| General Administration Services | 271,121 | - | - | (271,121) |
| School Administration Services | 101,705 | - | - | (101,705) |
| Operation and Maintenance | 690,021 | - | - | (690,021) |
| Pupil Transportation | 381,113 | - | 124,215 | (256,898) |
| Student Activities | 678,721 | 317,965 | 190,914 | (169,842) |
| School Food Services | 354,501 | 145,297 | 140,702 | (68,502) |
| Community Services | 7,600 | - | - | (7,600) |
| Interest and Other Charges | 92,324 | - | - | (92,324) |
| | $ 6,522,168 | $ 554,220 | $ 986,604 | (4,981,344) |

| | |
|---|---|
| General Revenues | |
| Taxes | |
| Taxes Levied for General Purposes | 1,630,389 |
| Taxes Levied for Debt Purposes | 177,931 |
| Taxes Levied for Building Purposes | 204,028 |
| State Aid, not restricted for specific purpose | 3,550,015 |
| Interest and Investment Earnings | 71,038 |
| Gain on Sale of Assets | 3,211 |
| Miscellaneous | 39,344 |
| Total General Revenues | 5,675,956 |
| Change in Net Position | 694,612 |
| Net Position, Beginning of Year | 419,261 |
| Net Position, End of Year | $ 1,113,873 |

See Notes to Financial Statements

**LARIMORE PUBLIC SCHOOL DISTRICT**
**Larimore, North Dakota**

**BALANCE SHEET – GOVERNMENTAL FUNDS**
**June 30, 2024**

| | Major Fund | | | | |
|---|---|---|---|---|---|
| | General Fund | Special Reserve | Capital Projects | Other Governmental Funds | Total Governmental Funds |
| ASSETS | | | | | |
| Cash and Cash Equivalents | $ 579,253 | $ 341,640 | $ 62,098 | $ 6,969 | $ 989,960 |
| Savings and CD's | 1,856,640 | - | - | - | 1,856,640 |
| Taxes Receivable | 83,600 | 3,028 | 11,416 | 9,942 | 107,986 |
| Total Assets | 2,519,493 | 344,668 | 73,514 | 16,911 | 2,954,586 |
| LIABILITIES | | | | | |
| Accounts Payable | 123,237 | - | 106,665 | - | 229,902 |
| Total Liabilities | 123,237 | - | 106,665 | - | 229,902 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable Revenue - Property Taxes | 80,006 | 2,926 | 11,045 | 9,609 | 103,586 |
| Total Deferred Inflows of Resources | 80,006 | 2,926 | 11,045 | 9,609 | 103,586 |
| FUND BALANCE (DEFICIT) | | | | | |
| Restricted | 742,982 | 341,742 | - | 7,302 | 1,092,026 |
| Unassigned (Deficit) | 1,573,268 | - | (44,196) | - | 1,529,072 |
| Total Fund Balance (Deficit) | 2,316,250 | 341,742 | (44,196) | 7,302 | 2,621,098 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance (Deficit) | $ 2,519,493 | $ 344,668 | $ 73,514 | $ 16,911 | $ 2,954,586 |

See Notes to Financial Statements

**LARIMORE PUBLIC SCHOOL DISTRICT**
**Larimore, North Dakota**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**
**TO THE STATEMENT OF NET POSITION**
**June 30, 2024**

| | | |
|---|---|---|
| Total Fund Balance - Governmental Funds | | $ 2,621,098 |
| Total net position reported for government activities in the statement of net position is different because: | | |
| Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds. | | |
| Cost of Capital Assets | 10,892,384 | |
| Less Accumulated Depreciation/Amortization | (3,344,162) | |
| Net Capital Assets | | 7,548,222 |
| Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the funds. | | 103,586 |
| Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position. | | |
| Compensated Absences | (23,933) | |
| General Obligation Bonds Payable | (3,539,022) | |
| Lease Liability | (61,001) | |
| Special Assessments Payable | (645,311) | |
| Bond Premium | (12,946) | |
| Pension and OPEB Liability (net of related outflows and inflows) | (4,876,820) | |
| Total Long-term Liabilities | | (9,159,033) |
| Total Net Position of Governmental Activities | | $ 1,113,873 |

See Notes to Financial Statements

**LARIMORE PUBLIC SCHOOL DISTRICT**
**Larimore, North Dakota**

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
**Year Ended June 30, 2024**

| | Major Fund | | | | |
|---|---|---|---|---|---|
| | General Fund | Special Reserve | Capital Projects | Other Governmental Funds | Total Governmental Funds |
| REVENUES | | | | | |
| Local Sources | $ 2,333,545 | $ 53,160 | $ 201,558 | $ 176,404 | $ 2,764,667 |
| State Sources | 3,726,863 | - | - | - | 3,726,863 |
| Federal Sources | 617,981 | - | - | - | 617,981 |
| Interest Income | 64,261 | 4,127 | 2,062 | 588 | 71,038 |
| Miscellaneous Income | 28,135 | - | - | - | 28,135 |
| Total Revenues | 6,770,785 | 57,287 | 203,620 | 176,992 | 7,208,684 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Regular Instruction | 2,489,965 | - | - | - | 2,489,965 |
| Special Instruction | 516,692 | - | - | - | 516,692 |
| Vocational Instruction | 222,001 | - | - | - | 222,001 |
| Pupil Services | 572,824 | - | - | - | 572,824 |
| General Administration Services | 271,121 | - | - | - | 271,121 |
| School Administration Services | 101,705 | - | - | - | 101,705 |
| Operation and Maintenance | 606,971 | - | 42,351 | - | 649,322 |
| Pupil Transportation | 339,228 | - | - | - | 339,228 |
| Student Activities | 788,725 | - | - | - | 788,725 |
| School Food Services | 372,130 | - | - | - | 372,130 |
| Community Services | 7,600 | - | - | - | 7,600 |
| Debt Service | | | | | |
| Principal | 27,393 | - | 65,000 | 139,348 | 231,741 |
| Interest and Other Charges | - | - | 45,771 | 47,632 | 93,403 |
| Special Assessments | - | - | 18,187 | - | 18,187 |
| Facilities Acquisition and Construction | 495,857 | - | 1,799,406 | - | 2,295,263 |
| Total Expenditures | 6,812,212 | - | 1,970,715 | 186,980 | 8,969,907 |
| Excess (Deficiency) of Revenues over Expenditures | (41,427) | 57,287 | (1,767,095) | (9,988) | (1,761,223) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Proceeds from Long-term Debt | - | - | 1,663,800 | - | 1,663,800 |
| Operating Transfer In | - | - | - | 6,000 | 6,000 |
| Operating Transfer Out | (6,000) | - | - | - | (6,000) |
| Total Other Financing Sources (Uses) | (6,000) | - | 1,663,800 | 6,000 | 1,663,800 |
| NET CHANGE IN FUND BALANCE | (47,427) | 57,287 | (103,295) | (3,988) | (97,423) |
| FUND BALANCE, BEGINNING OF YEAR | 2,363,677 | 284,455 | 59,099 | 11,290 | 2,718,521 |
| FUND BALANCE (DEFICIT), END OF YEAR | $ 2,316,250 | $ 341,742 | $ (44,196) | $ 7,302 | $ 2,621,098 |

See Notes to Financial Statements

**LARIMORE PUBLIC SCHOOL DISTRICT**
**Larimore, North Dakota**

# RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

**Year Ended June 30, 2024**

| | | |
|---|---|---|
| Net Change in Fund Balances - Total Governmental Funds | | $ (97,423) |
| The change in net position reported for governmental activities in the statement of activities is different because: | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets with a cost greater than $5,000 is allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount by which capital outlays exceeded depreciation/amortization in the current year. | | 2,151,498 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. | | |
| Net Decrease in Early Retirement | 7,500 | |
| Net Increase in Compensated Absences | (13,050) | |
| Net Decrease in Pension and OPEB Liability | 50,784 | |
| | | 45,234 |
| Governmental funds report debt proceeds as current financial resources. The statement of activities treats such issuance of bonds payable as a liability. | | (1,663,800) |
| Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold. | | (6,789) |
| Amortization of premiums received from bond issuance. | | 1,079 |
| Repayment of debt principal and other long-term liabilities is an expenditure in the governmental fund financial statements, but repayment reduces long-term liabilities in the statement of net position. | | 249,928 |
| Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of an increase in taxes receivable. | | 14,885 |
| Change in Net Position of Governmental Activities | | $ 694,612 |

See Notes to Financial Statements

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Larimore Public School District, Larimore, North Dakota (the "District") have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

### A. Reporting Entity

The accompanying financial statements present the activities of the Larimore Public School District. The District has considered all potential component units for which the District is financially accountable and other organizations for which the nature and significance of their relationships with the District such that exclusion would cause the District's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. This criterion includes appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the District.

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

### B. Basis of Presentation, Basis of Accounting

Government-wide statements – The statement of net position and the statement of activities display information about the primary government (Larimore Public School District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, fees and other non-exchange transactions. The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund financial statements – The fund financial statements provide reports on the financial condition and results of operations for governmental fund categories. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

- General Fund
  - The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

- Special Reserve Fund
  - Used to account for resources restricted to, or designated for, specific purposes by the District.

- Capital Projects Fund
  - Used to account for financial resources related to capital outlays made by the District.

Additionally, the District reports the following governmental fund types that are included in nonmajor funds:

- Governmental Funds
  - Debt Service Fund – Used to account for the accumulation of resources for, and payment of, general obligation bond principal, interest, and related costs.

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

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

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

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

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

### D. Cash and Investments

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

### E. Capital Assets

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

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

| Assets | Years |
|---|---|
| Building and Improvements | 15 – 50 |
| Vehicles and Equipment | 5 – 10 |

### F. 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 Tbill 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 is reasonably certain to exercise.

### G. Compensated Absences

Vacation pay applies to full-time staff and recorded as an expenditure when paid. Sick leave accrues at a rate of $10 per day up to a maximum of 80 days. Upon termination, an employee will be paid for any unused sick days.

### H. Long-term Obligations

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

### I. Pension Plans

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

### J. 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.

### K. Fund Balance

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

- Nonspendable
    - Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. They include items such as, but not limited to, inventories, prepaid items, or the permanent principal of endowment funds.

- Restricted
    - Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed
  - A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the School Board. Formal action is required to be taken to establish, modify, or rescind a fund balance commitment.

- Assigned
  - Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes but are under the direction of the board and the business manager.

- Unassigned
  - Unassigned fund balance is the lowest classification for the General Fund. This is a fund balance that has not been reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

It is the policy of the District to spend restricted resources first, followed by unrestricted resources. It is also the policy of the District to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

**L. 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 or 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.

**M. Interfund Transactions**

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

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

**N. Subscription-Based Information Technology Arrangements (SBITA)**

Subscription-Based Information Technology Arrangements (SBITA) are contracts that conveys control of the right to use another party s IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The determination of whether a SBITA asset and liability are to be recorded in the financial statements is made at inception by evaluating the maximum possible term of the SBITA.

A SBITA contract with an initial term of more than 12 months, or that contain an option to extend the contract more than 12 months that is reasonably expected to be exercised by the District, are recognized based on the present value of subscription payments over the contract 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 SBITA contract commencement date. The District has made an accounting policy election to use a risk free rate based on US Treasury Tbill rate as of the SBITA contract commencement.

The District continues to recognize short-term SBITA subscription payments as outflows of resources (expenditure) based on the payment provision of the SBITA contract. Short-term SBITA contracts have a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised.

## NOTE 2 – LEGAL COMPLIANCE – BUDGETS

Expenditures over Appropriations – General fund expenditures were less than appropriations by $232,921.

## NOTE 3 – DEPOSITS AND INVESTMENTS

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

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

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the State of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board. At year end June 30, 2024, the District’s carrying amounts of deposits was $2,846,600 and the bank balances were $2,915,295. Of the bank balances, $250,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by pledging financial institution’s agent in the government’s name.

*Credit Risk*

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

- Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by the Treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.

- Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.

- Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation.

- Obligations of the state.

At June 30, 2024, the District held $252,000 in certificates of deposit.

*Interest Rate Risk*

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

*Concentration of Credit Risk*

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

## NOTE 4 – TAXES RECEIVABLE

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

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

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

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the discount on the property taxes.

**NOTE 5 – ACCOUNTS RECEIVABLE**

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

**NOTE 6 – DUE FROM STATE AND FEDERAL GOVERNMENT**

The amount due from state and federal government consists of a reimbursement claim for various projects and Title Programs. Title programs are passed through the state.

**NOTE 7 – CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended June 30, 2024:

| | Balance July 1, 2023 | Additions | Retirements | Balance June 30, 2024 |
|---|---|---|---|---|
| Governmental Activities | | | | |
| Capital Assets, not being depreciated | | | | |
| Land | $ 847,707 | $ - | $ - | $ 847,707 |
| Construction in Progress | 2,164,394 | - | (2,164,394) | - |
| Total Capital Assets, not being depreciated | 3,012,101 | - | (2,164,394) | 847,707 |
| Capital Assets, being depreciated/amortized | | | | |
| Buildings and Improvements | 3,898,877 | 4,459,657 | - | 8,358,534 |
| Vehicles and Equipment | 1,410,058 | 152,191 | (11,314) | 1,550,935 |
| Lease Assets | 135,208 | - | - | 135,208 |
| Total Capital Assets, being depreciated/amortized | 5,444,143 | 4,611,848 | (11,314) | 10,044,677 |
| Less Accumulated Depreciation/Amortization for | | | | |
| Buildings and Improvements | 1,983,830 | 178,907 | - | 2,162,737 |
| Vehicles and Equipment | 1,018,448 | 89,529 | (4,525) | 1,103,452 |
| Lease Assets | 50,453 | 27,520 | - | 77,973 |
| Total Accumulated Depreciation/Amortization | 3,052,731 | 295,956 | (4,525) | 3,344,162 |
| Total Capital Assets Being Depreciated/Amortized, net | 2,391,412 | 4,315,892 | (6,789) | 6,700,515 |
| Governmental Activities Capital Assets, net | $ 5,403,513 | $ 4,315,892 | $ (2,171,183) | $ 7,548,222 |

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

| | |
|---|---|
| Governmental Activities | |
| Regular Instruction | $ 188,814 |
| Operation and Maintenance | 63,299 |
| Pupil Transportation | 41,885 |
| School Food Services | 1,958 |
| Total Depreciation/Amortization Expense - Governmental Activities | $ 295,956 |

## NOTE 8 – LONG-TERM LIABILITIES

During the year ended June 30, 2024, the following changes occurred in liabilities reported in long-term liabilities:

| | Long-term Liabilites at July 1, 2023 | Increases | Decreases | Long-term Liabilites at June 30, 2024 | Due Within One Year |
|---|---|---|---|---|---|
| Governmental Activities | | | | | |
| General Obligation Bonds Payable | $ 2,459,065 | $ 1,284,305 | $ (204,348) | $ 3,539,022 | $ - |
| Lease Liability | 88,394 | (27,393) | - | 61,001 | 27,871 |
| Special Assessments Payable | 284,003 | 379,495 | (18,187) | 645,311 | 18,931 |
| Bond Premium | 14,025 | - | (1,079) | 12,946 | 1,079 |
| Compensated Absences* | 10,883 | 13,050 | - | 23,933 | - |
| Pension and OPEB Liability* | 5,380,177 | - | (672,134) | 4,708,043 | - |
| Total - Governmental Activities | $ 8,236,547 | $ 1,649,457 | $ (895,748) | $ 8,990,256 | $ 47,881 |

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

Outstanding debt at June 30, 2024, are comprised of the following:

- Series 2016 General Obligation Bonds – From an original issuance of $1,300,000 at rates of 2.00% to 3.00%, $835,000 remains outstanding. Principal and interest are payable through August 1, 2035.
- Series 2022 General Obligation Bonds – From an original issuance of $3,000,000 at 2.00%, $2,704,022 remains outstanding. Principal and interest are payable through July 1, 2042.
- Special Assessment 2023 – From an original assessment of $290,227 at 2.875%, $277,599 remains outstanding. Principal and interest are payable through June 30, 2052.
- Special Assessment 2024 – From an original assessment of $379,495 at 4.75%, $367,712 remains outstanding. Principal and interest are payable through June 30, 2043.
- Lease Liability – The District leases copy machines and printers at its school location. The term of the lease period is 60 months, commencing in fiscal year 2022 and terminating in fiscal year 2027 with a monthly payment of 2,392.

The debt service requirements are as follows:

| | General Obligation Bonds | | |
|---|---|---|---|
| Year Ending June 30, | Principal | Interest | Payment |
| 2025 | $ - | $ 38,928 | $ 38,928 |
| 2026 | 203,050 | 75,825 | 278,875 |
| 2027 | 209,430 | 71,700 | 281,130 |
| 2028 | 210,825 | 67,148 | 277,973 |
| 2029 | 212,233 | 62,217 | 274,450 |
| 2030 - 2034 | 1,122,788 | 233,579 | 1,356,367 |
| 2035 - 2039 | 940,168 | 108,346 | 1,048,514 |
| 2040 - 2043 | 640,528 | - | 640,528 |
| Totals | $ 3,539,022 | $ 657,743 | $ 4,196,765 |

Special Assessments

| Year Ending June 30, | Principal | Interest | Payment |
|---|---|---|---|
| 2025 | $ 18,931 | $ 25,447 | $ 44,378 |
| 2026 | 19,706 | 24,672 | 44,378 |
| 2027 | 20,515 | 23,863 | 44,378 |
| 2028 | 21,360 | 23,018 | 44,378 |
| 2029 | 22,240 | 22,138 | 44,378 |
| 2030 - 2034 | 125,790 | 96,101 | 221,891 |
| 2035 - 2039 | 154,264 | 67,626 | 221,890 |
| 2040 - 2044 | 159,693 | 32,388 | 192,081 |
| 2045 - 2049 | 61,502 | 11,343 | 72,845 |
| 2050 - 2052 | 41,310 | 2,398 | 43,708 |
| Totals | $ 645,311 | $ 328,994 | $ 974,305 |

Lease Liability

| Year Ending June 30, | Principal | Interest | Payment |
|---|---|---|---|
| 2025 | $ 27,871 | $ 835 | $ 28,706 |
| 2026 | 28,357 | 349 | 28,706 |
| 2027 | 4,773 | 10 | 4,783 |
| Totals | $ 61,001 | $ 1,194 | $ 62,195 |

## NOTE 9 – DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the fund financial statements consist of amounts for which asset recognition criteria have been met. Under the modified accrual basis of accounting, such amounts are measurable but not available and include taxes receivables of $103,586. Deferred inflows of resources on the statement of net position consist of related pension and OPEB expense of $1,424,620.

## NOTE 10 – DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources in the fund financial statements consist of amounts for which liability recognition criteria have been met, but for which expense recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. Deferred outflows of resources on the statement of net position consist of related pension and OPEB expense of $1,255,843.

## NOTE 11 – RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (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 and public assets insurance coverage. The coverage by NDIRF is limited to losses of $2,000,000 per occurrence for general liability and auto coverage and $134,640 for public assets coverage.

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of $2,000,000 per occurrence during a twelve-month period. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of $1,093,103 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

## NOTE 12 – PENSION PLANS

### North Dakota Teacher's Fund for Retirement

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

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

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

*Pension Benefits*

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

*Tier 1 Grandfathered*

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

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

*Tier 1 Non-Grandfathered*

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

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

*Tier 2*

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

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

*Death and Disability Benefits*

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

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

*Member and Employer Contributions*

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

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. Re-funded 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, 2024, the District reported a liability of $3,706,793 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial calculation as of that date. The District’s proportion of the net pension liability was based on the Districts share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employees. At June 30, 2023 the District’s proportion was .264146% which was a decrease of .0044675% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the District recognized pension expenses of $201,233. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 13,812 | $ 196,756 |
| Changes in assumptions | 58,655 | - |
| Net difference between projected and actual investment earnings | 226,240 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 16,043 | 460,504 |
| Employer contributions subsequent to the measurement date | 268,713 | - |
| Totals | $ 583,463 | $ 657,260 |

$268,713 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

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

| Year ended June 30 | |
|---|---|
| 2025 | $ (96,395) |
| 2026 | (162,403) |
| 2027 | 152,334 |
| 2028 | (73,212) |
| 2029 | (72,872) |
| Thereafter | (89,962) |

*Actuarial Assumptions*

The total pension liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in measurement:

| | |
|---|---|
| Inflation | 2.30% |
| Salary increases | Composed of 3.80% wage inflations, plus step rate promotional increases for members with less than 30 years of service |
| Investment rate of return | 7.25%, net of investment expenses, including inflation |
| Cost-of-living-adjustments | None |

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

The actuarial assumptions used were based on the results of an actuarial experience study dated March 19, 2020. They are the same as the assumptions used in the July 1, 2023, funding actuarial valuation for TFFR.

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

The long-term expected rate of return on TFFR investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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, 2023, is summarized in the following table:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|---|---|---|
| Global Equities | 55% | 6.20% |
| Global Fixed Income | 26% | 3.00% |
| Global Real Assets | 18% | 4.40% |
| Cash Equivalents | 1% | 0.90% |

*Discount Rate*

The discount rate used to measure the total pension liability was 7.25% percent as of June 30, 2023. 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, 2023, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of July 1, 2023. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2023.

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

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

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|---|---|---|
| District's proportionate share of the net pension liability | $ 5,160,899 | $ 3,706,793 | $ 2,500,124 |

*Pension Plan Fiduciary Net Position*

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

**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 multi-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 eleven members. The Governor is responsible for appointing three other members in addition to the Chairman of the Board. Four members are appointed by legislative management, and the remaining three Board members are elected from active employees currently contributing to PERS.

*Pension Benefits*

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member 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 be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. 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.

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

*Death and Disability Benefits*

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

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

*Refunds of Member Account Balance*

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

*Member and Employer Contributions*

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and 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.

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 of $25 |
| 13 to 24 months of service | Greater of two percent of monthly salary of $25 |
| 25 to 36 months of service | Greater of three percent of monthly salary of $25 |
| Longer than 36 months of service | Greater of four percent of monthly salary of $25 |

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

At June 30, 2024, the District reported a liability of $954,022 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2023, the District's proportion was .049476%, which was an increase of .000487% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the District recognized pension expense of $66,855. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 31,056 | $ 5,261 |
| Changes in assumptions | 526,059 | 724,127 |
| Net difference between projected and actual investment earnings | 25,032 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 16,549 | 31,323 |
| Employer contributions subsequent to the measurement date | 52,599 | - |
| Totals | $ 651,295 | $ 760,711 |

$52,599 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

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

| Year ended June 30 | |
|---|---|
| 2025 | $ (1,777) |
| 2026 | (119,889) |
| 2027 | 13,647 |
| 2028 | (53,996) |
| 2029 | - |
| Thereafter | - |

*Actuarial Assumptions*

The total pension liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.25% |
| Salary increases | 3.50% to 17.75% including inflation |
| Investment rate of return | 6.50%, 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. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|---|---|---|
| Domestic Equity | 31% | 6.25% |
| International Equity | 20% | 6.95% |
| Private Equity | 7% | 9.45% |
| Domestic Fixed Income | 23% | 2.51% |
| International Fixed Income | 0% | 0.00% |
| Global Real Assets | 19% | 4.33% |
| Cash Equivalents | 0% | 0.00% |

*Discount Rate*

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.86%; and the resulting Single Discount Rate is 6.50%.

*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 6.50 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

| | 1% Decrease (5.50%) | Current Discount Rate (6.50%) | 1% Increase (7.50%) |
|---|---|---|---|
| District's proportionate share of the net pension liability | $ 1,315,367 | $ 954,022 | $ 654,258 |

*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 13 – OTHER POST EMPLOYMENT BENEFITS

### North Dakota Public Employees Retirement System

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

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

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

*OPEB Benefits*

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

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, 2024, the District reported a liability of $47,228 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023 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, 2023, the District's proportion was .047240%, which was a decrease of .001169% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024 the District recognized OPEB expense of $8,392. At June 30, 2024 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 | $ 888 | $ 540 |
| Changes in assumptions | 10,073 | 3,911 |
| Net difference between projected and actual investment earnings | 3,411 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 765 | 2,198 |
| Employer contributions subsequent to the measurement date | 5,948 | - |
| Totals | $ 21,085 | $ 6,649 |

$45,948 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 ended June 30, 2025.

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 ended June 30: | |
|---|---|
| 2025 | $ 2,968 |
| 2026 | 2,571 |
| 2027 | 4,336 |
| 2028 | (1,387) |
| 2029 | - |
| Thereafter | - |

*Actuarial Assumptions*

The total OPEB liability in the July 1, 2023 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, 2023 are summarized in the following table:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|---|---|---|
| Large Cap Domestic Equities | 33% | 6.10% |
| Small Cap Domestic Equities | 6% | 7.10% |
| Domestic Fixed Income | 35% | 2.59% |
| International Equities | 26% | 6.50% |

*Discount Rate*

The discount rate used to measure the total OPEB liability was 5.75%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

*Sensitivity of The District's Proportionate Share of the Net OPEB Liability to Change in the Discount Rate*

The following presents the net OPEB liability of the Plans as of June 30, 2023, calculated using the discount rate of 5.75 percent, 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 (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

| | 1% Decrease (4.75%) | Current Discount Rate (5.75%) | 1% Increase (6.75%) |
|---|---|---|---|
| District's proportionate share of the net pension liability | $ 62,069 | $ 47,228 | $ 34,734 |

**NOTE 14 – JOINT VENTURE**

The District participates in the following joint venture:

Upper Valley Special Education Unit – Formed for the purpose of providing special education services to the member school Districts. The Unit's governing board is composed of representatives from the member school districts, who are superintendents. The Board is responsible for adopting the Unit's budget and setting service fees at a level adequate to fund the adopted budget. The District retains no equity in the net assets of the Unit, but does have a responsibility to fund deficits of the Unit in proportion to the relative participation described above. Separate financial statements for this joint venture are available from the Upper Valley Special Education Unit.

**NOTE 15 – NONMONETARY TRANSACTIONS**

The District receives food commodities from the federal government to subsidize its food service program. The market value of commodities received for the year ended June 30, 2024 was $20,673.

## NOTE 16 – TRANSFERS

The transfer from the General Fund to the Debt Service Fund was used for debt service expenditures.

## NOTE 17 – FUND BALANCE

The following is a summary of fund balances as of June 30, 2024:

| | | |
|---|---|---|
| Restricted | | |
| Special Reserve | $ | 341,742 |
| Debt Service | | 7,302 |
| Student Activities | | 742,982 |
| Total Restricted | | 1,092,026 |
| Unassigned | | 1,529,072 |
| Total Fund Balance | $ | 2,621,098 |

## NOTE 18 - RESTATEMENT

During the current year, management changed capitalization policies from a threshold of $750 to $5,000. Due to the change in capitalization policy, capital assets and accumulated depreciation was adjusted. Management also found an error in omitting long-term liabilities for special assessment payable. The following adjustments to net position were made:

| | | |
|---|---|---|
| Net Position July 1, 2023 as previously reported | $ | 769,323 |
| Restatement for: | | |
| Capital Assets | | (387,051) |
| Accumulated Depreciation | | 320,992 |
| Special Assessment Payable | | (284,003) |
| Net position July 1, 2023 as restated | $ | 419,261 |

## NOTE 19 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 6, 2024, the date on which the financial statements were available to be issued.

**LARIMORE PUBLIC SCHOOL DISTRICT**
**Larimore, North Dakota**

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**
**Year Ended June 30, 2024**

| | Original and Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|
| REVENUES | | | |
| Local Sources | $ 2,391,589 | $ 2,333,545 | $ (58,044) |
| State Sources | 3,709,785 | 3,726,863 | 17,078 |
| Federal Sources | 587,540 | 617,981 | 30,441 |
| Interest Income | 38,488 | 64,261 | 25,773 |
| Miscellaneous Income | 31,810 | 28,135 | (3,675) |
| Total Revenues | 6,759,212 | 6,770,785 | 11,573 |
| EXPENDITURES | | | |
| Current | | | |
| Regular Instruction | 2,543,087 | 2,489,965 | 53,122 |
| Special Instruction | 534,550 | 516,692 | 17,858 |
| Vocational Instruction | 233,535 | 222,001 | 11,534 |
| Pupil Services | 634,069 | 572,824 | 61,245 |
| General Administration Services | 282,095 | 271,121 | 10,974 |
| School Administration Services | 102,134 | 101,705 | 429 |
| Operation and Maintenance | 669,000 | 606,971 | 62,029 |
| Pupil Transportation | 413,283 | 339,228 | 74,055 |
| Student Activities | 788,435 | 788,725 | (290) |
| School Food Services | 317,545 | 372,130 | (54,585) |
| Community Services | 27,400 | 7,600 | 19,800 |
| Debt Service | | | |
| Principal | - | 27,393 | (27,393) |
| Facilities Acquisition and Construction | 500,000 | 495,857 | 4,143 |
| Total Expenditures | 7,045,133 | 6,812,212 | 232,921 |
| Excess (Deficiency) of Revenues over Expenditures | (285,921) | (41,427) | 244,494 |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating Transfer In | 50,000 | - | (50,000) |
| Operating Transfer Out | - | (6,000) | (6,000) |
| Total Other Financing Sources (Uses) | 50,000 | (6,000) | (56,000) |
| NET CHANGE IN FUND BALANCE | (235,921) | (47,427) | 188,494 |
| FUND BALANCE, BEGINNING OF YEAR | | 2,363,677 | |
| FUND BALANCE, END OF YEAR | | $ 2,316,250 | |

**LARIMORE PUBLIC SCHOOL DISTRICT**
**Larimore, North Dakota**

**BUDGETARY COMPARISON SCHEDULE – SPECIAL RESERVE FUND**
**Year Ended June 30, 2024**

| | Original and Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|
| REVENUES | | | |
| Local Sources | $ 53,000 | $ 53,160 | $ 160 |
| Interest Income | 4,000 | 4,127 | 127 |
| Total Revenues | 57,000 | 57,287 | 287 |
| FUND BALANCE, BEGINNING OF YEAR | | 284,455 | |
| FUND BALANCE, END OF YEAR | | $ 341,742 | |

**LARIMORE PUBLIC SCHOOL DISTRICT**
**Larimore, North Dakota**

**PENSION SCHEDULES**
**Year Ended June 30, 2024**

NDTFFR Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions Last 10 Fiscal Years*

| | Proportion of the Net Pension Liability (Asset) | Proportionate Share of the Net Pension Liability (Asset) | Covered-Employee Payroll | Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|
| 2024 | 0.2641% | 3,706,793 | 2,119,541 | 174.89% | 69.34% |
| 2023 | 0.2686% | 3,911,155 | 2,113,753 | 185.03% | 67.50% |
| 2022 | 0.2894% | 3,049,643 | 2,230,671 | 136.71% | 75.70% |
| 2021 | 0.2959% | 4,528,830 | 2,159,099 | 209.76% | 63.40% |
| 2020 | 0.3041% | 4,187,858 | 2,133,160 | 196.32% | 65.50% |
| 2019 | 0.3283% | 4,376,237 | 2,232,051 | 196.06% | 65.50% |
| 2018 | 0.3195% | 4,387,946 | 2,156,303 | 203.49% | 63.20% |
| 2017 | 0.3244% | 7,453,188 | 2,107,946 | 353.58% | 59.20% |
| 2016 | 0.3165% | 4,139,362 | 1,946,851 | 212.62% | 62.10% |
| 2015 | 0.3565% | 3,735,561 | 2,067,930 | 180.64% | 66.60% |

| | Statutorily required contribution | Contributions in relation to statutorily required contribution | Contribution deficiency (excess) | Covered-employee payroll | Contributions as a percentage of covered-employee payroll |
|---|---|---|---|---|---|
| 2024 | 270,242 | (270,242) | - | 2,119,541 | 12.75% |
| 2023 | 270,272 | (270,272) | - | 2,113,753 | 12.79% |
| 2022 | 269,503 | (269,503) | - | 2,230,671 | 12.08% |
| 2021 | 284,410 | (284,410) | - | 2,159,099 | 13.17% |
| 2020 | 275,285 | (275,285) | - | 2,133,160 | 12.91% |
| 2019 | 271,978 | (271,978) | - | 2,232,051 | 12.19% |
| 2018 | 284,586 | (284,586) | - | 2,156,303 | 13.20% |
| 2017 | 274,929 | (274,929) | - | 2,107,946 | 13.04% |
| 2016 | 268,763 | (268,763) | - | 1,946,851 | 13.81% |
| 2015 | 248,224 | (248,224) | - | 2,067,930 | 12.00% |

*The measurement date of the net pension liability is June 30th of the prior year

NDPERS Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions Last 10 Fiscal Years*

| | Proportion of the Net Pension Liability (Asset) | Proportionate Share of the Net Pension Liability (Asset) | Covered-Employee Payroll | Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|
| 2024 | 0.0495% | 954,022 | 605,027 | 157.68% | 65.31% |
| 2023 | 0.0490% | 1,410,916 | 627,732 | 224.76% | 54.47% |
| 2022 | 0.0509% | 530,312 | 575,833 | 92.09% | 78.26% |
| 2021 | 0.0525% | 1,650,843 | 627,779 | 262.97% | 48.91% |
| 2020 | 0.0492% | 576,847 | 593,115 | 97.26% | 71.66% |
| 2019 | 0.0515% | 869,692 | 557,698 | 155.94% | 62.80% |
| 2018 | 0.0584% | 939,146 | 595,857 | 157.61% | 61.98% |
| 2017 | 0.0569% | 554,244 | 576,146 | 96.20% | 70.46% |
| 2016 | 0.0645% | 438,847 | 582,705 | 75.31% | 77.15% |
| 2015 | 0.0594% | 377,050 | 563,187 | 66.95% | 77.70% |

| | Statutorily required contribution | Contributions in relation to statutorily required contribution | Contribution deficiency (excess) | Covered-employee payroll | Contributions as a percentage of covered-employee payroll |
|---|---|---|---|---|---|
| 2024 | 45,771 | (46,241) | (470) | 605,027 | 7.64% |
| 2023 | 46,241 | (46,241) | - | 627,732 | 7.37% |
| 2022 | 41,655 | (41,655) | - | 575,833 | 7.23% |
| 2021 | 44,694 | (44,694) | - | 627,779 | 7.12% |
| 2020 | 42,380 | (42,380) | - | 593,115 | 7.15% |
| 2019 | 39,708 | (39,708) | - | 557,698 | 7.12% |
| 2018 | 42,425 | (42,425) | - | 595,857 | 7.12% |
| 2017 | 41,022 | (41,022) | - | 576,146 | 7.12% |
| 2016 | 41,489 | (41,489) | - | 582,705 | 7.12% |
| 2015 | 40,099 | (40,099) | - | 563,187 | 7.12% |

*The measurement date of the net pension liability is June 30$^{th}$ of the prior year

**LARIMORE PUBLIC SCHOOL DISTRICT**
**Larimore, North Dakota**

**OPEB SCHEDULES**
**Year Ended June 30, 2024**

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NDPERS Schedule of Employer's Share of Net OPEB Liability and Schedule of Employer's Contributions Last 10 Fiscal Years**

| | Proportion of the Net OPEB Liability (Asset) | Proportionate Share of the Net OPEB Liability (Asset) | Covered-Employee Payroll | 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 |
|---|---|---|---|---|---|
| 2024 | 0.047240% | 47,228 | 474,845 | 9.95% | 62.74% |
| 2023 | 0.048409% | 58,106 | 627,732 | 9.26% | 56.28% |
| 2022 | 0.047596% | 26,472 | 518,333 | 5.11% | 76.63% |
| 2021 | 0.048379% | 40,696 | 555,687 | 7.32% | 63.38% |
| 2020 | 0.045900% | 36,848 | 579,962 | 6.35% | 63.13% |
| 2019 | 0.048400% | 38,105 | 557,698 | 6.83% | 61.89% |
| 2018 | 0.055100% | 43,612 | 595,857 | 7.32% | 59.78% |

| | Statutorily required contribution | Contributions in relation to statutorily required contribution | Contribution deficiency (excess) | Covered-employee payroll | Contributions as a percentage of covered-employee payroll |
|---|---|---|---|---|---|
| 2024 | 5,734 | (5,609) | 125 | 474,845 | 1.18% |
| 2023 | 5,609 | (5,609) | - | 627,732 | 0.89% |
| 2022 | 5,909 | (5,909) | - | 518,333 | 1.14% |
| 2021 | 6,340 | (6,340) | - | 555,687 | 1.14% |
| 2020 | 6,612 | (6,612) | - | 579,962 | 1.14% |
| 2019 | 6,358 | (6,358) | - | 557,698 | 1.14% |
| 2018 | 6,793 | (6,793) | - | 595,857 | 1.14% |

*Complete data for these schedules is not available prior to 2018
**The measurement date of the net pension liability is June 30$^{th}$ of the prior year

## NOTE 1 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

*Budgetary Information*

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

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

- The annual budget must be prepared, and District taxes must be levied on or before the 15th day of August of each year.
- The taxes levied must be certified to the county auditor by October 10th.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the Business Manager at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- All appropriations lapse at year-end.

## NOTE 2 – NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT CHANGES OF ASSUMPTIONS

*Changes of Assumptions*

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.
- The pre-retirement mortality table was updated to the PubT-2010 Employee table projected with generational improvement using Scale MP-2019.

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

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

## NOTE 3 – NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM CHANGES OF ASSUMPTIONS

*Changes of Benefit Terms*

In 2023, House Bill 1040 was passed, which closes the Main System to employees newly enrolled into the system on January 1, 2025 and later. The state employer contribution for 2026 and later was changed to be the amount sufficient to fund the Main System on actuarial basis, with the amortization of the unfunded liability determined on a level percent of payroll basis over a closed period beginning on January 1, 2026 and ending June 30, 2056.

*Changes of Assumptions*

All 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. There have been no changes in actuarial assumptions since the previous actuarial valuation as of July 1, 2022.

## NOTE 4 – NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM CHANGE OF ASSUMPTIONS 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, 2022.

*Changes of Assumptions*

All 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. There have been no changes in actuarial assumptions since the previous actuarial valuation as of July 1, 2022.

**LARIMORE PUBLIC SCHOOL DISTRICT**
**Larimore, North Dakota**

## NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEET
**June 30, 2024**

| | Debt Service |
|---|---|
| ASSETS | |
| Cash and Cash Equivalents | $ 6,969 |
| Taxes Receivable | 9,942 |
| Total Assets | 16,911 |
| DEFERRED INFLOWS OF RESOURCES | |
| Unavailable Revenue - Property Taxes | 9,609 |
| Total Deferred Inflows of Resources | 9,609 |
| FUND BALANCE | |
| Restricted | 7,302 |
| Fund Balance | 7,302 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | $ 16,911 |

**LARIMORE PUBLIC SCHOOL DISTRICT**
**Larimore, North Dakota**

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**
**Year Ended June 30, 2024**

| | Debt Service |
|---|---|
| REVENUES | |
| Local Sources | $ 176,404 |
| Interest Income | 588 |
| Total Revenues | 176,992 |
| EXPENDITURES | |
| Debt Service | |
| Principal | 139,348 |
| Interest and Other Charges | 47,632 |
| Total Expenditures | 186,980 |
| Excess (Deficiency) of Revenues over Expenditures | (9,988) |
| OTHER FINANCING SOURCES | |
| Operating Transfer In | 6,000 |
| Total Other Financing Sources | 6,000 |
| NET CHANGE IN FUND BALANCE | (3,988) |
| FUND BALANCE, BEGINNING OF YEAR | 11,290 |
| FUND BALANCE, END OF YEAR | $ 7,302 |

Nadine Julson, LLC
Certified Public Accountants

**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***

School Board
Larimore Public School District
Larimore, North Dakota

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Larimore Public School District (the "District"), as of and for the year ended June 30, 2024, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 6, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing 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 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 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses (2024-001 and 2024-002).



*Nadine Julson, LLC*

*506 Dakota Ave.* | *Wahpeton, ND 58075* | *www.julsoncpa.com* | *T 701.642.8146* | *F 701.642.8165*

## Report on Compliance and Other Matters

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

## District's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the findings identified in our engagement and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Nadine Julson, LLC

Nadine Julson, LLC
Wahpeton, North Dakota
December 6, 2024

**LARIMORE PUBLIC SCHOOL DISTRICT**
**Larimore, North Dakota**

**SCHEDULE OF CURRENT YEAR FINDINGS**
**Year Ended June 30, 2024**

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*2024-001 INADEQUATE SEGREGATION OF DUTIES*

**Criteria**

The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

**Condition**

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

**Effect or Potential Effect**

Without sufficient segregation of duties, the risk significant increases that errors and fraud related to cash receipts, disbursements, and reconciliations, including misappropriation of assets, could occur and not be detected within a timely basis.

**Recommendation**

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

**Views of Responsible Officials**

There is no disagreement with the audit finding and we understand that this will be a repeated recommendation due to the limited amount of resources of the District. The District will segregate functions where feasible.

*2024-002 FINANCIAL STATEMENT PREPARATION*

**Criteria**

A good system of internal accounting control contemplates an adequate system for the preparation of the financial statements, including recording government wide journal entries in order to reconcile from the fund financials to the government wide financials and ensuring all general ledger accounts are properly reflected on a GAAP basis.

**Condition**

The District does not have an internal control system designed to provide for the preparation of the financial statements being audited, including recording government wide journal entries. As auditors, we were requested to draft the financial statements, which include proposing government wide journal entries, and drafting the accompanying notes to the financial statements.

**Effect or Potential Effect**

Inadequate controls over financial reporting of the District results in more than a remote likelihood that the District would not be able to draft the financial statements and accompanying notes to financial statements that are materially correct without the assistance of the auditors.

**Recommendation**

We recommend the District be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. As a compensating control, the District should establish an internal control policy to document annual review of the financial statements and to review a financial statement disclosure checklist.

**Views of Responsible Officials**

The District will continue to have the auditor prepare the financial statements. It is currently not cost-effective for management to perform the preparation.

**LARIMORE PUBLIC SCHOOL DISTRICT**
**Larimore, North Dakota**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**
**Year ended June 30, 2024**

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**Prior Financial Statement Findings**

*2023-001*

A material weakness was reported for inadequate segregation of duties.

**Recommendation**

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements. This material weakness continues to exist under the current audit findings as finding number 2024-001.

*2023-002*

A material weakness was reported for financial statement preparation.

**Recommendation**

The accounting functions should be reviewed to determine if it is feasible for the District to prepare its own financial statements. This material weakness continues to exist under the current audit findings as number 2024-002.

*2023-003*

A noncompliance was reported for investment in publicly traded securities exceeding 270 days.

**Recommendation**

The District should transfer funds in investments allowed by North Dakota Century Code.