# LISBON PUBLIC SCHOOL DISTRICT

## FINANCIAL STATEMENTS
## JUNE 30, 2024

### WITH INDEPENDENT AUDITOR'S REPORT

# LISBON PUBLIC SCHOOL DISTRICT

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## FOR THE YEAR ENDED JUNE 30, 2024

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# INDEPENDENT AUDITOR'S REPORT

School Board and Administration
**Lisbon Public School District**
Lisbon, North Dakota

## Report on the Audit of the Financial Statements

### *Opinions*

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Lisbon Public School District** (School District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the **Lisbon Public School 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 **Lisbon Public School 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* (GAS), 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 **Lisbon Public School 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.

### *Responsibilities of Management for the Financial Statements*

**Lisbon Public School District's** 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.

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 **Lisbon Public School 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 GAS 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 GAS, 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 **Lisbon Public School 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 **Lisbon Public School 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 Schedule of Employer's Share of Net Pension Liability, Schedule of Employer Contributions – Pensions, Schedule of Employer's Share of Net Liability OPEB, Schedule of Employer Contributions – OPE, Budgetary Comparison Schedule - General Fund, and Notes to the Required Supplementary Information, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2025, on our consideration of the **Lisbon Public School 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 School 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 **Lisbon Public School District's** internal control over financial reporting and compliance.

Fargo, North Dakota
April 17, 2025

# LISBON PUBLIC SCHOOL DISTRICT

## STATEMENT OF NET POSITION
## JUNE 30, 2024

| | Governmental Activities |
|---|---|
| **ASSETS** | |
| Cash and cash equivalents | $ 2,647,978 |
| Investments | 1,092,293 |
| Intergovernmental receivable | 278,781 |
| Taxes receivable | 105,567 |
| Capital assets, net of accumulated depreciation | |
| Land | 77,117 |
| Buildings | 11,302,443 |
| Vehicle | 566,425 |
| Equipment | 398,049 |
| Total assets | 16,468,653 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Pension related deferred outflows of resources | 2,590,106 |
| Total assets and deferred outflows of resources | $ 19,058,759 |
| **LIABILITIES** | |
| Accounts payable | $ 39,868 |
| Accrued expenses | 29,755 |
| Interest payable | 23,252 |
| Long-term liabilities | |
| Due within one year | |
| Compensated absences | 5,444 |
| Bond payable | 130,000 |
| Bond premium | 4,692 |
| Due after one year | |
| Compensated absences | 49,000 |
| Bond payable | 2,340,000 |
| Bond premium | 70,373 |
| Net pension liability | 8,940,536 |
| Total liabilities | 11,632,920 |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Pension related deferred inflows of resources | 1,820,606 |
| Total liabilities and deferred inflows of resources | 13,453,526 |
| **NET POSITION** | |
| Net investment in capital assets | 12,218,726 |
| Restricted for | |
| Debt service | 157,045 |
| Building | 902,323 |
| Scholarships | 49,334 |
| Unrestricted | (7,722,195) |
| Total net position | 5,605,233 |
| Total liabilities, deferred inflows of resources and net position | $ 19,058,759 |

See Notes to Financial Statements

# LISBON PUBLIC SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES
## FOR THE YEAR ENDED JUNE 30, 2024

| | | Program Revenues | | Net Revenue (Expense) and Change in Net Position |
|---|---|---|---|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Total |
| **GOVERNMENTAL ACTIVITIES** | | | | |
| Regular instruction | $ 3,504,058 | $ 43,508 | $ - | $ (3,460,550) |
| Special education | 1,084,829 | - | - | (1,084,829) |
| Vocational education | 193,442 | - | 25,696 | (167,746) |
| Federal programs | 557,509 | - | 528,403 | (29,106) |
| District wide services | 533,499 | 177,305 | - | (356,194) |
| Administration | 1,244,537 | - | - | (1,244,537) |
| School food services | 524,033 | 259,665 | 243,311 | (21,057) |
| Operations and maintenance | 966,801 | - | - | (966,801) |
| Transportation | 404,091 | - | 132,597 | (271,494) |
| Co-curricular activities | 939,119 | 458,432 | - | (480,687) |
| Other activities | 177,759 | - | 20,975 | (156,784) |
| Debt service - interest | 55,574 | - | - | (55,574) |
| Total governmental activities | $ 10,185,251 | $ 938,910 | $ 950,982 | (8,295,359) |
| **GENERAL REVENUES** | | | | |
| Property taxes | | | | 2,050,054 |
| State grants/aid - unrestricted | | | | 6,164,391 |
| Interest income | | | | 189,743 |
| Miscellaneous revenues | | | | 143,398 |
| Total general revenues | | | | 8,547,586 |
| Change in net position | | | | 252,227 |
| Net position - July 1 | | | | 5,353,006 |
| Net position - June 30 | | | | $ 5,605,233 |

# LISBON PUBLIC SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS
## JUNE 30, 2024

| | General Fund | Building Fund | Nonmajor Government Funds | Total Government Funds |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 1,225,619 | $ 930,523 | $ 491,836 | $ 2,647,978 |
| Investments | 1,055,531 | - | 36,762 | 1,092,293 |
| Intergovernmental receivable | 278,781 | - | - | 278,781 |
| Taxes receivable | 82,827 | 22,740 | - | 105,567 |
| Total assets | $ 2,642,758 | $ 953,263 | $ 528,598 | $ 4,124,619 |
| **LIABILITIES** | | | | |
| Accounts payable | $ 1,350 | $ 28,200 | $ 10,318 | $ 39,868 |
| Accrued expenses | 29,755 | - | - | 29,755 |
| Total liabilities | 31,105 | 28,200 | 10,318 | 69,623 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Deferred tax revenue | 82,827 | 22,740 | - | 105,567 |
| Total liabilities and deferred inflows of resources | 113,932 | 50,940 | 10,318 | 175,190 |
| **FUND BALANCES** | | | | |
| Restricted for | | | | |
| Debt service | - | - | 157,045 | 157,045 |
| Building | - | 902,323 | - | 902,323 |
| Scholarships | - | - | 49,334 | 49,334 |
| Assigned | | | | |
| Food service | - | - | 200,458 | 200,458 |
| Student activities | - | - | 111,443 | 111,443 |
| Unassigned | 2,528,826 | - | - | 2,528,826 |
| Total fund balances | 2,528,826 | 902,323 | 518,280 | 3,949,429 |
| Total liabilities, deferred inflows, and fund balances | $ 2,642,758 | $ 953,263 | $ 528,598 | $ 4,124,619 |

# LISBON PUBLIC SCHOOL DISTRICT

## RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
## TO THE STATEMENT OF NET POSITION
## JUNE 30, 2024

| | | | |
|---|---|---|---|
| **Total fund balances for governmental funds** | | $ | 3,949,429 |
| Amounts reported for governmental activities in the statement of net position are different because: | | | |
| Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds. | | | |
| Cost of capital assets | 17,894,274 | | |
| Less accumulated depreciation | (5,550,240) | | 12,344,034 |
| Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds. | | | 105,567 |
| Certain liabilities, such as leases payable and compensated absences, are not due and payable in the current period, and therefore are not reported in the funds. | | | |
| Interest payable | (23,252) | | |
| Compensated absences | (54,444) | | |
| Long-term debt | (2,545,065) | | |
| Net pension liabilities | (8,940,536) | | (11,563,297) |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods, and therefore are not reported in the funds. | | | |
| Total deferred outflows of resources | 2,590,106 | | |
| Total deferred inflows of resources | (1,820,606) | | 769,500 |
| **Total net position of governmental activities** | | $ | 5,605,233 |

## LISBON PUBLIC SCHOOL DISTRICT

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
### FOR THE YEAR ENDED JUNE 30, 2024

| | General Fund | Building Fund | Nonmajor Government Funds | Total Government Funds |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Local sources | $ 1,912,864 | $ 480,493 | $ 767,808 | $ 3,161,165 |
| State sources | 6,410,558 | - | 16,778 | 6,427,336 |
| Federal sources | 454,762 | - | 190,855 | 645,617 |
| Other sources | 170,499 | 50,000 | - | 220,499 |
| Total revenues | 8,948,683 | 530,493 | 975,441 | 10,454,617 |
| **EXPENDITURES** | | | | |
| Current | | | | |
| Regular instruction | 3,365,422 | - | - | 3,365,422 |
| Special education | 1,049,578 | - | - | 1,049,578 |
| Vocational education | 185,886 | - | - | 185,886 |
| Federal programs | 537,588 | - | - | 537,588 |
| District wide services | 608,818 | - | - | 608,818 |
| Administration | 1,224,986 | - | - | 1,224,986 |
| School food services | 29,745 | - | 481,972 | 511,717 |
| Operations and maintenance | 970,143 | 150,799 | - | 1,120,942 |
| Transportation | 401,726 | - | - | 401,726 |
| Co-curricular activities | 271,202 | - | 487,044 | 758,246 |
| Other activities | 170,356 | - | - | 170,356 |
| Debt service | | | | |
| Principal | - | - | 125,000 | 125,000 |
| Interest and fees | - | 3,398 | 58,431 | 61,829 |
| Total expenditures | 8,815,450 | 154,197 | 1,152,447 | 10,122,094 |
| Excess (deficiency) of revenues over expenditures | 133,233 | 376,296 | (177,006) | 332,523 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | - | - | 184,555 | 184,555 |
| Transfers out | - | (184,555) | - | (184,555) |
| Total other financing sources (uses) | - | (184,555) | 184,555 | - |
| Net change in fund balances | 133,233 | 191,741 | 7,549 | 332,523 |
| **FUND BALANCE - JULY 1** | 2,395,593 | 710,582 | 510,731 | 3,616,906 |
| **FUND BALANCE - JUNE 30** | $ 2,528,826 | $ 902,323 | $ 518,280 | $ 3,949,429 |

# LISBON PUBLIC SCHOOL DISTRICT

## RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2024

| | | |
|---|---|---|
| **Net change in fund balances - total governmental funds** | | $ 332,523 |
| Amount reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period these amounts are: | | |
| Current year capital outlay | 139,595 | |
| Depreciation expense | (208,051) | (68,456) |
| Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net position. The issuance of long term debt provides current financial resources to governmental funds, however, the debt principal issued increased liabilities in the statement of net position. This is the amount of debt repayment. | | 125,000 |
| Some revenues reported in the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the net change in taxes receivable. | | (15,553) |
| Certain liabilities, such as leases payable and compensated absences, are not due and payable in the current period, and therefore are not reported in the funds. | | |
| Net change in compensated absences payable | (210) | |
| Net change in bond premium | 4,692 | |
| Net change in interest payable | 1,563 | 6,045 |
| The net pension liability, and related deferred outflows and inflows of resources are reported in the government wide statements; however, activity related to the pension items do not involve financial resources, and are not reported in the funds. | | |
| Net change in pension and OPEB liabilities | 959,598 | |
| Net change in deferred outflows of resources | (685,530) | |
| Net change in deferred inflows of resources | (401,400) | (127,332) |
| **Change in net position of governmental activities** | | $ 252,227 |

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *Nature of Operations*

The financial statements of the Lisbon Public School District ("School District"), Lisbon, North Dakota, have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Government Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

### *Reporting Entity*

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

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

### *Basis of Presentation*

*Government-Wide Financial Statements*: The statement of net position and the statement of activities report information on all of the non-fiduciary activities of the primary government of the School District.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. School Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customer or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the School District's funds. The emphasis of fund financial statements is on major governmental funds, displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

### *Measurement Focus and Basis of Accounting*

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

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgements, 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.

All revenues are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Revenue items are considered to be measurable and available only when cash is received by the government.

The School District reports the following major governmental funds:

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

*Building Fund:* This fund accounts for financial resources dedicated to the construction of new school buildings, additions to old school buildings, the making of major repairs to existing buildings, or to make annual debt service payments on outstanding debt issues related to the building fund.

***Cash and Cash Equivalents***

Cash and cash equivalents include amounts in demand deposits and certificates of deposit, which have original maturity dates of six months or less.

***Investments, Investment Valuation, and Income Recognition***

Investments consist of money market funds and fixed income investments. Investment balances are carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See note 5 for fair value measurements.

***Capital Assets***

Capital assets include property, plant and equipment. Assets are reported in the governmental activities' column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of $5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets life 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.

*(Continued)*

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

| | |
|---|---|
| Buildings | 20 to 50 years |
| Equipment & vehicles | 5 to 20 years |

***Deferred Outflows and Inflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end, and changes in the net pension and OPEB liability not included in pension and OPEB expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has two types of items that qualify for reporting in this category. The School District reports unavailable revenues from property taxes and unavailable revenues from local education agencies on the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is changes in the net pension and OPEB liability not included in pension and OPEB expense reported in the government-wide statement of net position.

***Compensated Absences***

Vacation leave is earned at the rate 10 – 25 days per year, depending on years of service. Sick leave benefits are earned at the rate of 10 days per year regardless of the years of service. Unused sick leave benefits will be allowed to accumulate to a limit of 120 days for twelve-month employees and 40 days for nine-month employees. According to the negotiated agreement, certified employees who have worked in the School District for a minimum of fifteen years will get their sick days paid out at a rate of $35 per day upon separation of employment, whereas non-certified employees are paid out at a rate of $30 per day upon separation of employment. A liability for the vested or accumulated vacation and sick leave is reported in government wide statement of net position.

***Long-Term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

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

***Restricted and Unrestricted Resources***

It is the School District's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

***Fund Balance and Classification Policies and Procedures***

The School District classifies governmental fund balances as follows:

> ***Nonspendable*** – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
>
> ***Restricted*** – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
>
> ***Committed*** – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through board motion of the highest level of decision-making authority and does not lapse at year-end. The board may modify or rescind the commitment by a board motion.
>
> ***Assigned*** – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by the Business Manager.
>
> ***Unassigned*** – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The School District uses *restricted/committed* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the School District would first use *committed,* then *assigned,* and lastly *unassigned* amounts of unrestricted fund balance when expenditures are made.

The School District does not have a formal minimum fund balance policy.

***Interfund Transactions***

In the governmental fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions, except reimbursements, are reported as transfers. In the government-wide financial statements, interfund transactions have been eliminated.

***Program Revenues***

In the government-wide statement of activities, reported program revenues derive from the program itself or from parties other than the School District's taxpayers or citizenry, as a whole. Program revenues are classified into two categories, as follows:

> ***Charges for services*** – these arise from charges to customers, applicants, or other who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
>
> ***Program-specific operating grants and contributions*** – these arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.

***Salaries and Benefits Payable***

Salaries and benefits payable consists of salaries earned by employees but not paid until after year-end. It also consists of benefits owed to federal, state, and private agencies for amounts withheld from teacher's salaries as of June 30.

***Pensions***

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

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

For the 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 (NEPERS), and additions to/deductions from NDPERS's fiduciary net position have been determined on the same basis 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.

## NOTE 2 – CASH AND CASH EQUIVALENTS

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

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

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities, or by any 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 entity and bonds issued by any other state of the United States or such other securities approved by the banking board.

At year ended June 30, 2024, the School District's carrying amount of deposits was $2,647,978 and the bank balances were $3,776,122. Of the bank balance, $250,000 was covered by Federal Depository Insurance. The remaining balance of $3,526,122 was collateralized with securities held by the pledging financial institution's agent in the government's name.

***Interest Rate Risk***

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

***Credit Risk***

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

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

At June 30, 2024 the School District did not hold certificates of deposit.

***Concentration of Credit Risk***

The School District does not have a policy limiting the amount the School District may invest in any one issuer.

The School District invests in fixed income investments which included fixed income securities as part of its portfolios. The average maturities of the fixed income holdings of the investments are as follows:

| | |
|---|---|
| Maturity | |
| Less than 1 year | $ 291,583 |
| 1-5 years | 556,954 |
| 5-10 years | 162,608 |
| >10 years | - |
| Not available | - |
| Market value | $ 1,011,145 |

**NOTE 3 – FAIR VALUE OF INVESTMENTS**

The three levels of the fair value hierarchy in accordance with Fair Value Measurements are described below:

***Level 1*** – Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets.

***Level 2*** – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active or inactive markets and inputs other than quoted prices that are observable for the asset or liability.

***Level 3*** – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value:

***Mutual funds and exchange traded funds*** – Valued at the daily closing price as reported by the fund. Mutual funds held by the Scholarship Fund are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and transact at that price. The mutual funds held by the Scholarship Fund are deemed to be actively traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the scholarship fund's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Scholarship Fund's assets at fair value as of June 30, 2024:

| | Fair Value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Money market | $ 81,148 | $ 81,148 | $ - | $ - |
| Fixed income | 1,011,145 | - | 1,011,145 | - |
| Total assets in the fair value hierarchy | $ 1,092,293 | $ 81,148 | $ 1,011,145 | $ - |

## NOTE 4 – TAXES RECEIVABLE

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

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

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes and all the special assessments, and the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5.0% 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.

## NOTE 5 – INTERGOVERNMENTAL RECEIVABLE

Intergovernmental receivables consist of reimbursements due for expenses in the operation of various school programs. These amounts consist of a mix of state and federal dollars.

## NOTE 6 – CAPITAL ASSETS

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

| | Beginning Balance | Additions | Dispositions | Transfers | Ending Balance |
|---|---|---|---|---|---|
| Capital assets, not being depreciated | | | | | |
| Land | $ 77,117 | $ - | $ - | $ - | $ 77,117 |
| Construction in progress | 225,493 | - | - | (225,493) | - |
| Total capital assets, not being depreciated | 302,610 | - | - | (225,493) | 77,117 |
| Capital assets, being depreciated | | | | | |
| Buildings | 15,807,948 | - | - | 225,493 | 16,033,441 |
| Vehicles | 958,982 | 23,406 | - | - | 982,388 |
| Equipment | 685,139 | 116,189 | - | - | 801,328 |
| Total capital assets, being depreciated | 17,452,069 | 139,595 | - | 225,493 | 17,817,157 |
| Less accumulated depreciation for | | | | | |
| Buildings | 4,585,049 | 145,949 | - | - | 4,730,998 |
| Vehicles | 382,491 | 33,472 | - | - | 415,963 |
| Equipment | 374,649 | 28,630 | - | - | 403,279 |
| Total accumulated depreciation | 5,342,189 | 208,051 | - | - | 5,550,240 |
| Total capital assets, net | $ 12,412,490 | $ (68,456) | $ - | $ - | $ 12,344,034 |

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

| | |
|---|---|
| Regular Instruction | $ 72,961 |
| Special Education | 22,736 |
| Vocational Education | 4,027 |
| Federal Programs | 11,658 |
| District Wide Services | 13,291 |
| Administration | 26,575 |
| Food Service | 10,448 |
| Operations and Maintenance | 17,739 |
| Transportation | 8,722 |
| Co-Curricular Activities | 16,204 |
| Other Activities | 3,690 |
| | $ 208,051 |

## NOTE 7 – LONG-TERM LIABILITIES

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

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Bond payable | $ 2,595,000 | $ - | $ 125,000 | $ 2,470,000 | $ 130,000 |
| Bond premium | 79,757 | - | 4,692 | 75,065 | 4,692 |
| Compensated absences * | 54,234 | 210 | - | 54,444 | 5,444 |
| TFFR liability * | 7,438,480 | - | 36,696 | 7,401,784 | - |
| OPEB liability * | 88,854 | - | 16,133 | 72,721 | - |
| Pension liability * | 2,372,800 | - | 906,769 | 1,466,031 | - |
| Total | $ 12,629,125 | $ 210 | $ 1,089,290 | $ 11,540,045 | $ 140,136 |

* The changes in compensated absences, net pension and net OPEB liabilities are shown as net change.

The compensated absences liability attributable to the governmental activities will be liquidated by the General Fund. The payments on the long-term debt will be made by the Debt Service Fund.

Debt service requirements on the general obligation bonds, including interest, at June 30, 2024, are as follows:

| | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 130,000 | $ 53,855 | $ 183,855 |
| 2026 | 130,000 | 49,955 | 179,955 |
| 2027 | 135,000 | 45,980 | 180,980 |
| 2028 | 140,000 | 41,855 | 181,855 |
| 2029-2034 | 910,000 | 185,030 | 1,095,030 |
| 2035-2039 | 845,000 | 65,463 | 910,463 |
| 2040-2044 | 180,000 | 1,980 | 181,980 |
| | $ 2,470,000 | $ 444,118 | $ 2,914,118 |

| | Amortization |
|---|---|
| 2025 | $ 4,692 |
| 2026 | 4,692 |
| 2027 | 4,692 |
| 2028 | 4,692 |
| 2029-2034 | 28,149 |
| 2035-2039 | 23,458 |
| 2040-2044 | 4,690 |
| | $ 75,065 |

## NOTE 8 – PENSION PLANS

### General Information about the TFFR Pension Plan

***North Dakota Teacher's Fund for Retirement ("TFFR")***

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

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

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

### Pension Benefits

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

Tier 1 Grandfathered

A Tier 1 grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or the sum of age and years of service credit equals or exceeds 85. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 6.0% 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 2.0% 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 8.0% 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.

*(Continued)*

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 2.0% 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 8.0% 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 2.0% 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 6.0% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70½. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

*(Continued)*

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

At June 30, 2024, the School District reported a liability of $7,401,784 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2023, the School District’s proportion was 0.527451 percent, which was an increase of 0.01658 from its proportion measured as of July 1, 2022.

For the year ended June 30, 2024, the School District recognized pension expense of $597,053. At June 30, 2024, the School 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 | $ 27,580 | $ 392,886 |
| Changes of assumptions | 117,124 | - |
| Net difference between projected and actual earnings on pension plan investments | 451,760 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 426,856 | 189,816 |
| Employer contributions subsequent to the measurement date | 539,624 | - |
| | $ 1,562,944 | $ 582,702 |

$539,624 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 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 | $ 10,818 |
| 2026 | (100,422) |
| 2027 | 481,289 |
| 2028 | 33,924 |
| 2029 | 34,599 |
| Thereafter | (19,590) |

***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 | 2.30% |
| Salary increases | Composed of 3.8% wage inflations, plus step rate promotional increase 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 | 55.00% | 6.20% |
| Global fixed income | 26.00% | 3.00% |
| Global real assets | 18.00% | 4.40% |
| Cash equivalents | 1.00% | 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 June 30, 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 School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the School 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 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|---|---|---|
| District's proportionate share of net pension liability | $ 10,305,367 | $ 7,401,784 | $ 4,992,288 |

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report, located in the North Dakota Retirement and Investments Office's Comprehensive Annual Financial Report. Additional financial and actuarial information is available on their website https://www.rio.nd.gov/sites/www/files/documents/PDFs/RIO/Reports/annualreport2022.pdf, or may be obtained by writing to ND Retirement and Investment office, 3442 East Century Avenue, PO Box 7100, Bismarck, North Dakota, 58507-7100 or by calling (701) 328-9885.

**General Information about the Pension Plan**

***North Dakota Public Employees Retirement System (Main System)***

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

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of 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 2.0% 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 2.0% 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 7.0% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020, member contribution rates are 7.0% 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 or $25
13 to 24 months of service – Greater of two percent of monthly salary or $25
25 to 36 months of service – Greater of three percent of monthly salary or $25
Longer than 36 months of service – Greater of four percent of monthly salary or $25

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

At June 30, 2024, the Employer reported a liability of $1,466,031 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 Employer's proportion of the net pension liability was based on the Employer'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 Employer's proportion was 0.076029 percent, which was an decrease of 0.006358 from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the Employer recognized pension expense of $128,942. At June 30, 2024, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 47,723 | $ 8,085 |
| Changes of assumptions | 808,387 | 1,112,755 |
| Net difference between projected and actual earnings on pension plan investments | 38,466 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 33,129 | 107,878 |
| Employer contributions subsequent to the measurement date | 76,182 | - |
| | $ 1,003,887 | $ 1,228,718 |

$76,182 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended subsequent to the current year end.

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 | $ (1,688) |
| 2026 | (194,198) |
| 2027 | (6,237) |
| 2028 | (98,890) |
| 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 | 3.5% to 17.75% including inflation and productivity |
| Investment rate of return | 6.5% net of investment expense |
| 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 | 31.00% | 6.25% |
| International equity | 20.00% | 6.95% |
| Private equity | 7.00% | 9.45% |
| Domestic fixed income | 23.00% | 2.51% |
| International fixed income | 0.00% | 0.00% |
| Global real assets | 19.00% | 4.33% |
| Cash equivalents | 0.00% | 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 6.5%; the municipal bond rate is 3.86%; and the resulting Single Discount Rate is 6.5%.

***Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.***

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

| | 1% Decrease (5.5%) | Current Discount Rate (6.5%) | 1% Increase (7.5%) |
|---|---|---|---|
| District's proportionate share of net pension liability | $ 2,021,305 | $ 1,466,031 | $ 1,005,389 |

***Pension plan fiduciary net position***

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

## NOTE 9 – OTHER POST EMPLOYMENT BENEFITS

### General Information about the OPEB Plan

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

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

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

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

***OPEB Benefits***

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. 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 Employer reported a liability of $72,721 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 Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2023, the Employer's proportion was 0.072739 percent, which was an decrease of 0.001287 from its proportion measured as of June 30, 2022.

*(Continued)*

For the year ended June 30, 2024, the Employer recognized OPEB expense of $14,935. At June 30, 2024, the Employer 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 | $ 1,368 | $ 832 |
| Changes of assumptions | 15,510 | 6,022 |
| Net difference between projected and actual earnings on pension plan investments | 5,252 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 3,069 | 2,332 |
| Employer contributions subsequent to the measurement date | 8,160 | - |
| | $ 33,359 | $ 9,186 |

$8,160 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, following the current year end.

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 | $ 6,565 |
| 2026 | 4,950 |
| 2027 | 6,594 |
| 2028 | (2,096) |
| 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 |

*(Continued)*

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 | 33.00% | 6.10% |
| Small cap domestic equities | 6.00% | 7.10% |
| Domestic fixed income | 35.00% | 2.59% |
| International fixed income | 26.00% | 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 rates described in this report. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

***Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate***

The following presents the net OPEB liability of the Plans as of June 30, 2023, calculated using the discount rate of 5.75%, 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 (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|---|---|---|
| District's proportionate share of net pension liability | $ 95,573 | $ 72,721 | $ 53,482 |

## NOTE 10 – INTERFUND TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended June 30, 2024:

| Fund | Transfer In | Transfer Out |
|---|---|---|
| Building fund | $ - | $ 184,555 |
| Debt service fund | 184,555 | - |
| Total | $ 184,555 | $ 184,555 |

Transfers are used to move unresisted general revenue to finance programs that the School District accounts for in other funds in accordance with budget authority and to subsidize other programs.

## NOTE 11 – RISK MANAGEMENT

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

In 1986, the 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 School District pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of $10,000,000 per occurrence for general liability and automobile; and $331,118 for public asset coverage.

The School District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The School District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of two million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the School District with blanket fidelity bond coverage in the amount of $2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The School District has worker’s compensation with the Department of Workforce Safety and Insurance. The School District pays part of the health insurance premiums for their employees.

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

# LISBON PUBLIC SCHOOL DISTRICT

## REQUIRED SUPPLEMENTARY INFORMATION
## JUNE 30, 2024

## LISBON PUBLIC SCHOOL DISTRICT

### SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
### LAST 10 FISCAL YEARS

| Pension Plan | Balance Sheet Date* | Employer's Proportion of the Net Pension Liability | Employer's Proportionate Share of the Net Pension Liability | Employer's Covered-Employee Payroll | Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|---|
| ND TFFR | 6/30/2024 | 0.527451% | $ 7,401,784 | $ 4,232,337 | 174.89% | 69.34% |
| ND TFFR | 6/30/2023 | 0.510866% | $ 7,438,480 | $ 4,020,068 | 185.03% | 67.50% |
| ND TFFR | 6/30/2022 | 0.509004% | $ 5,363,152 | $ 3,922,895 | 136.71% | 75.70% |
| ND TFFR | 6/30/2021 | 0.486484% | $ 7,445,652 | $ 3,549,681 | 209.76% | 63.40% |
| ND TFFR | 6/30/2020 | 0.504345% | $ 6,946,102 | $ 3,538,121 | 196.32% | 65.50% |
| ND TFFR | 6/30/2019 | 0.486484% | $ 7,445,652 | $ 3,586,333 | 207.61% | 65.50% |
| ND TFFR | 6/30/2018 | 0.521212% | $ 7,158,987 | $ 3,518,035 | 203.49% | 63.20% |
| ND TFFR | 6/30/2017 | 0.535765% | $ 7,849,272 | $ 3,480,999 | 225.49% | 59.20% |
| ND TFFR | 6/30/2016 | 0.525011% | $ 6,866,384 | $ 3,229,368 | 212.62% | 62.10% |
| ND TFFR | 6/30/2015 | 0.554582% | $ 5,811,036 | $ 3,216,870 | 180.64% | 66.60% |
| ND PERS | 6/30/2024 | 0.076029% | $ 1,466,031 | $ 929,742 | 157.68% | 65.31% |
| ND PERS | 6/30/2023 | 0.082387% | $ 2,372,800 | $ 956,382 | 248.10% | 54.47% |
| ND PERS | 6/30/2022 | 0.081874% | $ 853,373 | $ 927,139 | 92.04% | 92.04% |
| ND PERS | 6/30/2021 | 0.079697% | $ 2,507,285 | $ 879,154 | 285.19% | 48.91% |
| ND PERS | 6/30/2020 | 0.073948% | $ 866,724 | $ 769,188 | 112.68% | 71.66% |
| ND PERS | 6/30/2019 | 0.067746% | $ 1,143,288 | $ 695,962 | 164.27% | 62.80% |
| ND PERS | 6/30/2018 | 0.063700% | $ 1,023,868 | $ 650,275 | 157.45% | 61.98% |
| ND PERS | 6/30/2017 | 0.062825% | $ 612,291 | $ 633,126 | 96.71% | 70.46% |
| ND PERS | 6/30/2016 | 0.067781% | $ 460,899 | $ 603,844 | 76.33% | 77.70% |
| ND PERS | 6/30/2015 | 0.070018% | $ 444,419 | $ 589,818 | 75.35% | 78.18% |

* The measurement date of the actuarial report is one year prior to the balance sheet date.

# LISBON PUBLIC SCHOOL DISTRICT

## SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSIONS
## LAST 10 FISCAL YEARS

| Pension Plan | Balance Sheet Date* | Statutorily Required Contribution | Contributions in Relation to the Statutorily Required Contribution | Contribution Deficiency (Excess) | Employer's Covered-Employee Payroll | Contributions as a Percentage of Covered-Employee Payroll |
|---|---|---|---|---|---|---|
| ND TFFR | 6/30/2024 | $ 539,624 | $ 539,624 | $ - | $ 4,232,337 | 12.75% |
| ND TFFR | 6/30/2023 | $ 539,908 | $ 539,908 | $ - | $ 4,234,571 | 12.75% |
| ND TFFR | 6/30/2022 | $ 512,559 | $ 512,559 | $ - | $ 4,020,070 | 12.75% |
| ND TFFR | 6/30/2021 | $ 452,588 | $ 452,588 | $ - | $ 3,502,836 | 12.92% |
| ND TFFR | 6/30/2020 | $ 451,110 | $ 451,110 | $ - | $ 3,154,335 | 14.30% |
| ND TFFR | 6/30/2019 | $ 457,258 | $ 457,258 | $ - | $ 3,586,333 | 12.75% |
| ND TFFR | 6/30/2018 | $ 448,550 | $ 448,550 | $ - | $ 3,518,035 | 12.75% |
| ND TFFR | 6/30/2017 | $ 443,827 | $ 443,827 | $ - | $ 3,480,999 | 12.75% |
| ND TFFR | 6/30/2016 | $ 411,725 | $ 411,725 | $ - | $ 3,229,368 | 12.75% |
| ND TFFR | 6/30/2015 | $ 345,810 | $ 345,810 | $ - | $ 3,216,870 | 10.75% |
| | | | | | | |
| ND PERS | 6/30/2024 | $ 39,660 | $ 39,616 | $ 44 | $ 526,578 | 7.52% |
| ND PERS | 6/30/2023 | $ 66,681 | $ 68,565 | $ (1,884) | $ 936,536 | 7.32% |
| ND PERS | 6/30/2022 | $ 66,354 | $ 68,254 | $ (1,900) | $ 931,942 | 7.32% |
| ND PERS | 6/30/2021 | $ 62,252 | $ 61,463 | $ 789 | $ 970,675 | 6.33% |
| ND PERS | 6/30/2020 | $ 56,001 | $ 55,596 | $ 405 | $ 939,545 | 5.92% |
| ND PERS | 6/30/2019 | $ 51,261 | $ 45,738 | $ 5,523 | $ 695,962 | 6.57% |
| ND PERS | 6/30/2018 | $ 47,153 | $ 47,560 | $ (407) | $ 650,275 | 7.31% |
| ND PERS | 6/30/2017 | $ 45,837 | $ 45,828 | $ 9 | $ 633,126 | 7.24% |
| ND PERS | 6/30/2016 | $ 45,867 | $ 46,839 | $ (972) | $ 603,844 | 7.76% |
| ND PERS | 6/30/2015 | $ 41,995 | $ 41,995 | $ - | $ 589,818 | 7.12% |

* The measurement date of the actuarial report is one year prior to the balance sheet date.

## LISBON PUBLIC SCHOOL DISTRICT

### SCHEDULE OF EMPLOYER'S SHARE OF NET LIABILITY OPEB
### LAST 10 FISCAL YEARS*

| Pension Plan | Balance Sheet Date** | Employer's Proportion of the Net OPEB Liability | Employer's Proportionate Share of the Net OPEB Liability | Employer's Covered-Employee Payroll | Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll | Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability |
|---|---|---|---|---|---|---|
| OPEB | 6/30/2024 | 0.072739% | $ 72,721 | $ 731,164 | 9.95% | 62.74% |
| OPEB | 6/30/2023 | 0.074026% | $ 88,854 | $ 764,246 | 11.63% | 56.28% |
| OPEB | 6/30/2022 | 0.074608% | $ 41,495 | $ 813,421 | 5.10% | 76.63% |
| OPEB | 6/30/2021 | 0.077121% | $ 64,874 | $ 879,154 | 7.38% | 63.38% |
| OPEB | 6/30/2020 | 0.068932% | $ 55,365 | $ 769,188 | 7.20% | 63.13% |
| OPEB | 6/30/2019 | 0.063604% | $ 50,092 | $ 695,962 | 7.20% | 61.89% |
| OPEB | 6/30/2018 | 0.060108% | $ 47,546 | $ 650,275 | 7.31% | 59.78% |

* Complete data for this schedule is not available prior to 2018.
** The measurement date of the actuarial report is one year prior to the balance sheet date.

## LISBON PUBLIC SCHOOL DISTRICT

### SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB
### LAST 10 FISCAL YEARS*

| Pension Plan | Balance Sheet Date** | Statutorily Required Contribution | Contributions in Relation to the Statutorily Required Contribution | Contribution Deficiency (Excess) | Employer's Covered-Employee Payroll | Contributions as a Percentage of Covered-Employee Payroll |
|---|---|---|---|---|---|---|
| OPEB | 6/30/2024 | $ 8,829 | $ 8,617 | $ 212 | $ 731,164 | 1.18% |
| OPEB | 6/30/2023 | $ 8,642 | $ 8,617 | $ 25 | $ 758,031 | 1.14% |
| OPEB | 6/30/2022 | $ 8,725 | $ 8,725 | $ - | $ 765,312 | 1.14% |
| OPEB | 6/30/2021 | $ 10,328 | $ 9,828 | $ 500 | $ 970,675 | 1.01% |
| OPEB | 6/30/2020 | $ 8,946 | $ 8,901 | $ 45 | $ 939,545 | 0.95% |
| OPEB | 6/30/2019 | $ 8,163 | $ 7,323 | $ 840 | $ 695,962 | 1.05% |
| OPEB | 6/30/2018 | $ 7,559 | $ 7,615 | $ (56) | $ 650,275 | 1.17% |

* Complete data for this schedule is not available prior to 2014.
** The measurement date of the actuarial report is one year prior to the balance sheet date.

# LISBON PUBLIC SCHOOL DISTRICT

## BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
## FOR THE YEAR ENDED JUNE 30, 2024

| | Original Budget | Final Budget | Actual | Over (Under) Final Budget |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Local sources | $ 1,814,738 | $ 1,814,738 | $ 1,912,864 | $ 98,126 |
| State sources | 6,363,501 | 6,510,774 | 6,410,558 | (100,216) |
| Federal sources | 392,940 | 429,201 | 454,762 | 25,561 |
| Other sources | 168,000 | 168,000 | 170,499 | 2,499 |
| Total revenues | 8,739,179 | 8,922,713 | 8,948,683 | 25,970 |
| **EXPENDITURES** | | | | |
| Current | | | | |
| Regular instruction | 3,368,373 | 3,368,373 | 3,365,422 | (2,951) |
| Special education | 1,095,709 | 1,095,709 | 1,049,578 | (46,131) |
| Vocational education | 191,426 | 191,426 | 185,886 | (5,540) |
| Federal programs | 527,607 | 551,878 | 537,588 | (14,290) |
| District wide services | 461,759 | 481,759 | 608,818 | 127,059 |
| Administration | 1,236,472 | 1,236,472 | 1,224,986 | (11,486) |
| School food services | - | - | 29,745 | 29,745 |
| Operations and maintenance | 984,338 | 994,338 | 970,143 | (24,195) |
| Transportation | 494,080 | 494,080 | 401,726 | (92,354) |
| Co-curricular activities | 307,346 | 307,346 | 271,202 | (36,144) |
| Other activities | 171,366 | 171,366 | 170,356 | (1,010) |
| Total expenditures | 8,838,476 | 8,892,747 | 8,815,450 | (77,297) |
| Excess (deficiency) of revenues over expenditures | (99,297) | 29,966 | 133,233 | 103,267 |
| **FUND BALANCE JULY 1** | 2,395,593 | 2,395,593 | 2,395,593 | - |
| **FUND BALANCE, JUNE 30** | $ - | $ - | $ 2,528,826 | $ - |

### NOTE 1 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

***Budgetary Information:***

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

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

a. The annual budget must be prepared, and School District taxes must be levied on or before the fifteenth day of August of each year.
b. The taxes levied must be certified to the county auditor by twenty-fifth of August.
c. The operating budget includes proposed expenditures and means of financing them.
d. Each budget is controlled by the business manager at the revenue and expenditure function/object level.
e. 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.
f. All appropriations lapse at year-end.

### NOTE 2 – CHANGES OF ASSUMPTIONS

#### North Dakota Teacher's Fund for Retirement - TFFR

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

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

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

- Investment return assumption lowered from 8.0% to 7.75%.
- Inflation assumption lowered from 3.0% 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.

**North Dakota Public Employees Retirement System - PERS**

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.

**North Dakota Public Employees Retirement System - OPEB**

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 3 – CHANGES OF BENEFIT TERMS

**North Dakota Public Employees Retirement System – PERS**

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.

**North Dakota Public Employees Retirement System - OPEB**

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.

### NOTE 4 – LEGAL COMPLIANCE BUDGETS

***Budget amendments***

The school board amended the budget for the following funds in FY 2024:

| | Original Budget | Amendments | Final Budget |
|---|---|---|---|
| **Revenues** | | | |
| General fund | $ 8,739,179 | $ 183,534 | $ 8,922,713 |
| **Expenditures** | | | |
| General fund | $ 8,838,476 | $ 54,271 | $ 8,892,747 |

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

School Board and Administration
**Lisbon Public School District**
Lisbon, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS) 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 **Lisbon Public School District** (School District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise **Lisbon Public School District's** basic financial statements, and have issued our report thereon dated April 17, 2025.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered **Lisbon Public School District's** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Lisbon Public School District's** internal control. Accordingly, we do not express an opinion on the effectiveness of **Lisbon Public School District's** internal control.

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

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 have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2024-001 and 2024-002 to be material weaknesses.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether **Lisbon Public School 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 those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* (GAS).

***Lisbon Public School District's Response to Findings***

**Lisbon Public School District's** response to the findings identified in our audit is described in the accompanying schedule of findings and responses. **Lisbon Public School 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* (GAS) in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Widmer Roel PC

Fargo, North Dakota
April 17, 2025

## LISBON PUBLIC SCHOOL DISTRICT

### SCHEDULE OF FINDINGS AND RESPONSES
### FOR THE YEAR ENDED JUNE 30, 2024

**SECTION I – SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

| | | | | |
|---|---|---|---|---|
| Type of auditor's report issued: | Unmodified | | | |
| Internal control over financial reporting: | | | | |
| Material weakness(es) identified? | X | yes | | none reported |
| Significant deficiency(ies) identified that are not considered to be material weakness(es)? | | yes | X | none reported |
| Noncompliance material to financial statements noted? | | yes | X | none reported |

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**2024-001 (MATERIAL WEAKNESS) – MATERIAL AUDIT ADJUSTMENTS**

***Condition***

During the audit we proposed material adjusting entries to the financial statements in accordance with generally accepted accounting principles (GAAP). The adjustments were approved by management and are reflected in the financial statements.

***Criteria***

The client is responsible for the presentation of its financial statements and related note disclosures to ensure it is reliable, accurate, free of material misstatement, and in accordance with GAAP.

***Cause***

The client did not have procedures in place to reconcile financial statement and account balances to ensure the financial statements are complete and accurate.

***Effect***

There is an increased risk of material misstatement to the client's financial statements whether due to error of fraud.

***Recommendation***

We recommend the client review its procedures for reconciling the financial statement and account balances to ensure the financial statements are complete and accurate in accordance with GAAP.

***Views of Responsible Officials***

Management agrees with the recommendation. Management will continue to give supporting schedules for the financial statements and improve their procedures in order to give all necessary information for the various audit adjustments.

*(Continued)*

**2024-002 (MATERIAL WEAKNESS) – SEGREGATION OF DUTIES**

***Condition***

The School District has a lack of segregation of duties in certain areas due to a limited number of staff. Specifically, the business manager role is responsible for numerous functions related to financial reporting.

***Criteria***

To ensure adequate internal control over financial reporting and prevent material misstatements due to errors or fraud, there should be a segregation of the functions of approval, custody of assets, posting and reconciliations.

***Cause***

The School District has limited staff to be able to adequately segregate duties.

***Effect***

Inadequate segregation of duties could adversely affect the School District's ability to detect misstatements in the financial statements, whether the cause of the misstatement was due to errors or fraud.

***Recommendation***

It is not unusual for smaller school districts to have several accounting functions concentrated with the business manager and/or superintendent. We recommend management be aware of the lack of segregation of duties and implement controls wherever possible to mitigate this risk. For example, we recommend the board continue and or adopt the following:

- Review and approve all significant contracts and disbursements.
- Careful review of budgeted items compared to actual results, investigating unusual discrepancies.
- Dual signatures on all significant checks.
- Periodic review of savings/CD statements and review of completed bank reconciliations.
- Periodic review of School District policies, including consideration of whether School District policies are sufficient to mitigate risk of financial statement errors or fraud, or noncompliance with laws, regulations, and contracts.

***Views of Responsible Officials***

The School District recognizes this finding and agrees that it would not be cost effective to reduce this deficiency. The School District will continue to monitor processes to ensure that integrity of the financial reporting process is maintained and will continue to look at ways to mitigate the risk using current resources.