

Financial Statements  
September 30, 2023

**North Dakota State Fair Association**

# North Dakota State Fair Association

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September 30, 2023

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## Independent Auditor's Report

The Board of Directors  
North Dakota State Fair Association  
Minot, North Dakota

### Report on the Audit of the Financial Statements

#### *Adverse and Unmodified Opinions*

We have audited the financial statements of the North Dakota State Fair Association, an enterprise fund of the State of North Dakota, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents.

#### *Adverse Opinion on the Discretely Presented Component Unit*

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the accompanying financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the North Dakota State Fair Association, as of September 30, 2023, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Unmodified Opinions on the North Dakota State Fair Association*

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the North Dakota State Fair Association, as of September 30, 2023, 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 Adverse and Unmodified Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the North Dakota State Fair Association 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 qualified and unmodified audit opinions.

### ***Matter Giving Rise to Adverse Opinion on the Discretely Presented Component Unit***

As discussed in Note 1 to the financial statements, the North Dakota State Fair Association has not included the financial statements of the North Dakota State Fair Foundation, a legally separate component unit of the North Dakota State Fair Association. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the North Dakota State Fair Association's primary government unless the North Dakota State Fair Association Foundation also issues financial statements for the financial reporting entity that include the financial data for its component units. The North Dakota State Fair Association has not issued such reporting entity financial statements. The effects of not including the North Dakota State Fair Association's legally separate component unit on the discretely presented component unit has not been determined.

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the North Dakota State Fair Association'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.

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.

### **Emphasis of Matter**

As discussed in Note 1, the financial statements of North Dakota State Fair Association, an enterprise fund of the State of North Dakota, are intended to present the financial position, the changes in financial position and cash flows of only that portion of the business-type activities of the State of North Dakota that is attributable to the transactions of North Dakota State Fair Association. They do not purport to, and do not, present fairly the financial position of the State of North Dakota as of September 30, 2023, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedules of Employer's Share of Net Pension Liability and Employer Contributions, and Schedules of Employer's Share of OPEB Liability and Employer Contributions 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2024 on our consideration of the North Dakota State Fair Association'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 North Dakota State Fair Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the North Dakota State Fair Association's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Erik Bailly LLP". The signature is written in a cursive, flowing style.

Bismarck, North Dakota  
September 18, 2024

This section of the Association's annual financial report presents our analysis of the financial performance during the fiscal year that ended September 30, 2023. Please read it in conjunction with the financial statements, which follow this section.

### **Financial Highlights**

- The Association's net position increased by \$1,946,216 or 6.78 % in fiscal year 2023.
- During fiscal year, the Association's operating revenues increased by \$3,571,850 or 47.76%, while operating expenses increased by \$1,262,954 or 14.48%.
- Fair revenues increased to \$11,973,034 or 32.84%
- Property and equipment additions totaled \$1,262,797.
- Depreciation expense totaled \$1,195,074.

### **Overview of the Financial Statements**

This annual report consists of three parts: Management's Discussion and Analysis, Financial Statements, and Required Supplementary Information. The Financial Statements also include notes that explain in more detail some of the information in the financial statements.

### **Required Financial Statements**

The Financial Statements of the Association report information about the Association using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Position includes all of the Association's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Association creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Association and assessing the liquidity and financial flexibility of the Association. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Change in Net Position. This statement measures the success of the Association's operations over the past year and can be used to determine whether the Association has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Association's cash receipts and cash payments during the reporting period.

The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

## Financial Analysis of the Association

One of the most important questions asked about the Association's finances is "Is the Association as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Association's activities in a way that will help answer this question. These two statements report the net position of the Association and changes in them. You can think of the Association's net position-the difference between assets, deferred outflows and inflows and liabilities-as one way to measure financial health or financial position. Over time, increases or decreases in the Association's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in economic conditions, population declines, and competitive forms of entertainment.

## Net Position

To begin our analysis, a summary of the Association's Statement of Net Position is presented in the following:

### Condensed Statements of Net Position (In Thousands of Dollars)

The condensed statements of net position shows the categories of items that are owned and owed by the Association. Total assets increased by \$2,254 thousand from 2022 to 2023. Total liabilities decreased \$713 thousand from 2022 to 2023 mainly due to decrease of pension liability.

	2023	2022	Dollar Change	Total Percent Change
<b>Assets</b>				
Current and other assets	\$ 13,393	\$ 11,350	\$ 2,043	18.00%
Noncurrent assets	21,212	21,001	211	1.00%
Total assets	<u>34,605</u>	<u>32,351</u>	<u>2,254</u>	6.97%
Deferred outflows of resources	<u>1,403</u>	<u>1,934</u>	<u>(531)</u>	-27.46%
Total assets and deferred outflows of resources	<u>36,008</u>	<u>34,285</u>	<u>1,723</u>	5.03%
<b>Liabilities</b>				
Current liabilities	649	385	264	68.57%
Long-term debt outstanding	843	1,008	(165)	-16.35%
Other liabilities	<u>1,998</u>	<u>2,810</u>	<u>(812)</u>	-28.89%
Total liabilities	<u>3,490</u>	<u>4,203</u>	<u>(713)</u>	-16.96%
Deferred inflow of resources	<u>1,855</u>	<u>1,366</u>	<u>489</u>	35.75%
<b>Net Position</b>				
Net invested in capital assets	20,040	19,858	182	0.91%
Unrestricted	<u>10,623</u>	<u>8,858</u>	<u>1,765</u>	19.93%
Total net position	<u>\$ 30,663</u>	<u>\$ 28,716</u>	<u>\$ 1,947</u>	6.78%



**Condensed Statements of Revenues, Expenses and Changes in Net Position  
(In Thousands of Dollars)**

	2023	2022	Dollar Change	Total Percent Change
Operating Revenues				
Fair proceeds and other revenue	\$ 10,590	\$ 7,228	\$ 3,362	46.51%
Arena revenue	285	225	60	26.67%
Other revenue	176	26	150	576.92%
	<u>11,051</u>	<u>7,479</u>	<u>3,572</u>	47.76%
Nonoperating Revenues				
Local grants	544	589	(45)	-7.64%
Federal grant	-	661	(661)	-100.00%
Interest and investment income	57	13	44	338.46%
	<u>601</u>	<u>1,263</u>	<u>(662)</u>	-52.41%
Total Revenues	<u>11,652</u>	<u>8,742</u>	<u>2,910</u>	33.29%
Operating Expenses				
General expenses	6,249	5,028	1,221	24.28%
Depreciation expense	1,195	1,177	18	1.53%
Salaries, wages and vacation pay	2,220	2,221	(1)	-0.05%
Premiums, trophies and awards	312	288	24	8.33%
	<u>9,976</u>	<u>8,714</u>	<u>1,262</u>	14.48%
Non Operating Expenses				
Interest expense	45	45	-	0.00%
Bond fees	17	13	4	30.77%
Amortization	(12)	(12)	-	0.00%
	<u>50</u>	<u>46</u>	<u>4</u>	8.70%
Total Expenses	<u>10,026</u>	<u>8,760</u>	<u>1,266</u>	14.45%
Transfers - State Appropriations	<u>321</u>	<u>271</u>	<u>50</u>	18.45%
Change in Net Position	1,947	253	1,694	669.57%
Net Position, Beginning of Year	<u>28,716</u>	<u>28,463</u>	<u>253</u>	0.89%
Net Position, End of Year	<u>\$ 30,663</u>	<u>\$ 28,716</u>	<u>\$ 1,947</u>	6.78%

The condensed statements of revenues, expenses and changes in net position shows both the revenue streams and expenses associated with operating the Association. Total revenues were up \$2,910 thousand from 2022 to 2023 while total expenses were up \$1,266 thousand from 2022 to 2023. During 2022, the Association received Shuttered Venue (SVOG) federal grant funding totaling \$661 thousand related to the global COVID-19 pandemic and the related cancellation of the 2020 State Fair. The grant was used to cover ongoing Association Expenses. This resulted in a net impact of a \$1,947 thousand increase from 2022 to 2023.

### **Capital Assets**

The Association had invested more than \$54 million in capital assets including land, buildings, improvements and equipment. Approximately 96 percent of that total is related to land and structures. Maintenance and upkeep of those structures and improvements is a continual ongoing process for the Association. Annual yearly costs for building and grounds upkeep exceeded \$236 thousand, excluding payroll costs for Association employees engaged in repair and upkeep procedures.

Current year additions to the capital asset category totaled \$1,262,797. See footnote 4 for additional details.

### **Long-Term Bond Debt**

The Association has \$925,000 in long term debt down from \$1,060,000 in fiscal year 2022. See footnote 5 for additional details.

### **Net Pension Liability**

The Association reported a net pension liability of \$1,902,954 at year end in 2023 and \$2,691,825 in 2022. See additional information in Note 8.

### **Net Other Post-Employment Benefits Liability**

The Association reported a net OPEB liability of \$80,066 at year end in 2023 and \$88,361 in 2022. See additional information in Note 9.

### **Economic Factors and Next Year's Operations**

The North Dakota State Fair Association is in the entertainment business, and as such is dependent upon many factors affecting the entertainment spending decisions of its customers. Factors such as condition of the agriculture economy, oil industry, Minot Air Force Base, Canadian exchange rates, weather, and competing entertainment providers such as casinos can all have significant impact on turnout for the annual State Fair.

### **Contacting the Association's Financial Manager**

This financial report is designed to provide our state citizens, customers, and creditors with a general overview of the Association's finances and to demonstrate the Association's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the North Dakota State Fair Association office at P.O. Box 1796, Minot, ND 58702-1796

North Dakota State Fair Association  
Statement of Net Position – Enterprise Fund  
September 30, 2023

Current Assets	
Cash and cash equivalents	\$ 9,113,685
Investments	4,000,000
Accounts receivable, net of allowance for uncollectible accounts of \$3,000	37,968
Prepaid items	56,534
Lease receivable	184,858
Total current assets	<u>13,393,045</u>
Noncurrent Assets	
Capital assets	
Land	922,056
Other capital assets, net of depreciation	20,113,362
Lease receivable	176,729
Total noncurrent assets	<u>21,212,147</u>
Total assets	<u>34,605,192</u>
Deferred Outflows of Resources	
Pension plan	1,371,704
Other post-employment benefit plan	30,651
	<u>1,402,355</u>
Total assets and deferred outflows of resources	<u>\$ 36,007,547</u>
Current Liabilities	
Trade accounts payable	\$ 56,299
Accrued salaries	204,240
Due to Other Governments	166,307
Current portion of accrued employee leave	70,000
Current portion of bonds payable, net of unamortized premium of \$12,260	152,260
Total current liabilities	<u>649,106</u>
Noncurrent Liabilities	
Accrued employee leave, net of current portion	14,791
Bonds payable, net of unamortized premium of \$58,234	843,234
Net pension liability	1,902,954
Net other post-employment benefits liability	80,066
Total noncurrent liabilities	<u>2,841,045</u>
Total liabilities	<u>3,490,151</u>
Deferred Inflows of Resources	
Pension plan	1,505,149
Other post-employment benefit plan	13,702
Lease-related	335,869
	<u>1,854,720</u>
Net Position	
Net investment in capital assets	20,039,926
Unrestricted	10,622,750
Total net position	<u>30,662,676</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 36,007,547</u>

North Dakota State Fair Association  
Statement of Revenues, Expenses and Change in Net Position  
Year Ended September 30, 2023

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Operating Revenues	
Fair proceeds and other revenue	\$ 10,590,016
Arena revenue	284,832
Other revenue	<u>175,686</u>
Total operating revenues	<u>11,050,534</u>
Operating Expenses	
General expenses	6,249,537
Depreciation expense	1,195,074
Salaries, wages and vacation pay	2,219,760
Premiums, trophies and awards	<u>312,361</u>
Total operating expenses	<u>9,976,732</u>
Operating Income	<u>1,073,802</u>
Nonoperating Revenues (Expenses)	
Local grants	543,923
Interest and investment income	57,159
Miscellaneous	12,260
Interest expense	(45,275)
Bond fees	<u>(17,070)</u>
Total net nonoperating revenues	<u>550,997</u>
Income before transfers	1,624,799
Transfers - State Appropriations	<u>321,417</u>
Change in Net Position	1,946,216
Net Position, Beginning of Year	<u>28,716,460</u>
Net Position, End of Year	<u><u>\$ 30,662,676</u></u>

North Dakota State Fair Association  
Statement of Cash Flows  
Year Ended September 30, 2023

Operating Activities	
Cash received from customers	\$ 11,049,260
Cash payments for goods and services	(6,321,998)
Cash payments to employees	<u>(2,112,706)</u>
Net Cash from Operating Activities	<u>2,614,556</u>
Non-Capital Financing Activities	
Federal and local grants received	543,923
State appropriations received	<u>321,417</u>
Net Cash from Non-Capital Financing Activities	<u>865,340</u>
Capital and Related Financing Activities	
Payments for capital acquisitions	(1,262,797)
Bond fees	(17,070)
Principal payments on bonds	(135,000)
Interest paid	<u>(45,275)</u>
Net Cash used for Capital and Related Financing Activities	<u>(1,460,142)</u>
Investing Activity	
Receipts of interest and dividends	57,159
Purchase of Certificates of Deposit	<u>(2,000,000)</u>
Net Cash from Investing Activities	<u>(1,942,841)</u>
Net Change in Cash and Cash Equivalents	76,913
Cash and Cash Equivalents, Beginning of Year	<u>9,036,772</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 9,113,685</u></u>
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	\$ 1,073,802
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation	1,195,074
Adjustment to pension/OPEB expense	84,260
Loss on sale of capital assets	33,413
Changes in operating assets and liabilities	
Accounts receivables	24,444
Lease receivables	(164,208)
Prepaid items	(3,365)
Trade accounts payable	43,545
Due to other government	166,307
Accrued salaries	37,647
Accrued employee leave	(14,853)
Lease related deferred inflow of resources	<u>138,490</u>
Net Cash used for Operating Activities	<u><u>\$ 2,614,556</u></u>

North Dakota State Fair Association  
Statement of Appropriations  
Year Ended September 30, 2023

	<u>2023-2025 Appropriation</u>	<u>10/1/2022- 9/30/2023 Expenditures</u>	<u>10/1/2023- 9/30/2024 Expenditures</u>	<u>Unexpended Appropriations at 9/30/2023</u>
Premiums	<u>\$ 642,833</u>	<u>\$ 321,417</u>	<u>\$ -</u>	<u>\$ 321,416</u>

The following schedule shows the appropriated and non-appropriated portion of premiums, operating expenses, interest expense and bond costs for the year-ended September 30, 2023. Non-appropriated expenses are made in accordance with NDCC 4-02.1-15.

	<u>FY 2023 Appropriated</u>	<u>FY 2023 Non-appropriated</u>	<u>Fiscal Year 2023 Total</u>
Premiums	\$ 321,417	\$ (9,056)	\$ 312,361
Operating expenses	-	9,664,371	9,664,371
Bond administration fees	-	17,070	17,070
Interest expenses	-	45,275	45,275
	<u>\$ 321,417</u>	<u>\$ 9,717,660</u>	<u>\$ 10,039,077</u>

## **Note 1 - Nature of Operations and Summary of Significant Accounting Policies**

The North Dakota State Fair Association (Association) is an Enterprise Fund of the State of North Dakota. The purpose of the State Fair Association is to conduct an annual exhibition of the state's resources and products in order to promote the state.

The accompanying financial statements of the North Dakota State Fair Association follow the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard-setting body for establishing generally accepted accounting principles for governmental entities.

The accounting policies of the North Dakota State Fair Association conform to generally accepted accounting principles as applicable to local governmental units. The following is a summary of the more significant policies:

### **Reporting Entity**

For financial reporting purposes, the North Dakota State Fair Association has excluded its discretely presented component unit, the North Dakota State Fair Foundation. This exclusion would cause the North Dakota State Fair Association's financial statements to be misleading or incomplete.

The Governmental Accounting Standards Board has set forth criteria to be considered in evaluating the nature and significance of the relationship such that exclusion would cause the financial statements to be misleading or incomplete. This criteria includes (1) being a legally separate, tax-exempt organization, (2) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, (3) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization, and (4) the economic resources received or held by an individual organization that the primary government is entitled to, or has the ability to otherwise access, are significant to the primary government.

Based upon the criteria of the Governmental Accounting Standards Board, the North Dakota State Fair Foundation is a component unit of the Association that should be presented discretely. It is considered part of the Association's reporting entity because of the significance of its relationship with the Association. The North Dakota State Fair Foundation's mission is to develop lifelong relationships with donors to secure philanthropic gifts that will enhance and support the work of the North Dakota State Fair. The Foundation's major sources of revenue include endowments and cash contributions.

### **Component Unit**

The financial statements include a GAAP Departure as the financial statements of the discretely presented component unit have been excluded in the financial reporting.

Discretely Presented Component Unit-The government-wide financial statements exclude the financial data of the Association's one component unit, North Dakota State Fair Foundation.

### **Revenue Recognition**

Revenue is recognized on the accrual basis for financial reporting.

### **Infrastructure, Buildings, and Equipment**

Infrastructure, buildings and equipment are stated at cost except for donated assets which are reported at fair value on the date received. Expenses exceeding \$5,000 for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenses for maintenance, repairs and improvements less than \$5,000 are currently charged to expense.

Depreciation is provided for over the estimated useful lives of the individual assets using the straight-line method. The estimated useful lives used in the computation of depreciation are as follows:

Infrastructure	5-25 years
Buildings	20-40 years
Equipment	3-15 years

### **Cash and Cash Equivalents**

For purposes of reporting cash flows, the Association considers all Treasury bills, commercial paper, certificates of deposit and money market funds which have an original maturity of three months or less to be cash equivalents.

### **Investments**

Investments consist entirely of certificates of deposit and are reported at amortized cost.

### **Accounts Receivable**

Accounts receivable are carried at original invoice amount less a reserve estimate made for doubtful accounts. Management's estimate of the allowance for doubtful accounts is based on historical loss levels and an analysis of the collectability of individual accounts. Accounts receivable are due within 30 days.

### **Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the fund financial statements.



### **Operating Revenues**

For purposes of differentiating operating revenues from non-operating revenues, the Association considers support received from the federal government, the City of Minot (hotel tax) and Ward County to be non-operating revenues. The stated purpose of the support from the mentioned entities is to help offset the operating expenses related to the fair and arena activities. Expenses related to the maintenance and operations of these facilities are classified as operating expenses.

### **Restricted Resources**

It is the Association's policy to first apply restricted resources when an expense is incurred for which both restricted and unrestricted resources are available.

### **Compensated Absences**

Employees accrue annual leave at a rate of eight hours per month for the first three years of continuous service. The accrual rate is increased to ten hours per month after three years, twelve hours per month after seven years, fourteen hours per month after thirteen years, and sixteen hours per month after eighteen years of service. The maximum amount of leave that may be carried forward each calendar year is 240 hours. All unpaid leave is payable upon termination.

Permanent employees also earn sick leave at a rate of eight hours per month. Sick leave is being carried over from year to year. If an employee leaves after ten continuous years of service, the employee will be paid for ten percent of any unused accumulated sick leave.

### **Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

### **Leases**

The Association is a lessor for seven noncancellable leases of building space and land. The Association recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the Association initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Association determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Association uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Association monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

### **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) until then.

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*, represent 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. See Notes 8, 9 and Note 11 for additional information.

### **Pension**

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 additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

### **Subsequent Events**

The North Dakota State Fair Association has evaluated subsequent events through September 18, 2024, the date which the financial statements were available to be issued.

## Note 2 - Advertising Costs

Advertising costs are expensed as incurred. Total advertising expense for the year ended September 30, 2023 is \$400,000.

## Note 3 - Cash and Investments

### Custodial and Concentration of Credit Risk

State law generally requires that all state funds be deposited in the Bank of North Dakota. NDCC 21-04-02 provides that public funds belonging to or in the custody of the state shall be deposited in the Bank of North Dakota. Also, NDCC 6-09-07 states, "all state funds... must be deposited in the Bank of North Dakota" or must be deposited in accordance with constitutional and statutory provisions.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the State Fair Association will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The State Fair Association does not have a formal policy that limits custodial credit risk for deposits. Deposits held with Bremer Bank are covered by depository insurance. The State Fair Association's remaining deposits are uncollateralized and held on deposit at the Bank of North Dakota and are guaranteed by the State of North Dakota (NDCC Section 6-09-10).

Bank	Type	
Bremer	Checking	\$ 58,425
Bank of ND	Checking	6,080
Bank of ND	Checking	8,006
Bank of ND	Checking	834
State Treasury	Checking	7,004,950
State Treasury	Savings	2,035,140
Cash on Hand		<u>250</u>
		<u><u>\$ 9,113,685</u></u>

### Investments

The Association has investments in certificates of deposit totaling \$4,000,000 as of September 30, 2023. At year end, there were four certificates of deposit, one for \$1,000,000 bearing interest at 1.45% maturing January 2026, one for \$1,000,000 bearing interest at 0.9% maturing November 2023 and two for \$1,000,000 each bearing interest at 1.25% maturing February 2024.

#### Note 4 - Capital Assets

The components and changes in components of capital assets of the Association at September 30, 2023 are as follows:

	Balance 09/30/22	Additions/ Depreciation Expense	Deletions	Balance 09/30/23
Capital Assets Not Being Depreciated				
Land	\$ 806,667	\$ 115,389		\$ 922,056
Capital Assets Being Depreciated				
Infrastructure	8,003,024	47,250		8,050,274
Buildings	41,821,681	1,005,185		42,826,866
Equipment	2,381,609	94,973	(41,275)	2,435,307
	<u>53,012,981</u>	<u>1,262,797</u>	<u>(41,275)</u>	<u>54,234,503</u>
Less accumulated depreciation				
Infrastructure	(4,877,004)	(274,636)		(5,151,640)
Buildings	(25,142,882)	(854,068)		(25,996,950)
Equipment	(1,991,987)	(66,370)	7,862	(2,050,495)
	<u>(32,011,873)</u>	<u>(1,195,074)</u>	<u>7,862</u>	<u>(33,199,085)</u>
Net	<u>\$ 21,001,108</u>	<u>\$ 67,723</u>	<u>\$ (33,413)</u>	<u>\$ 21,035,418</u>

#### Note 5 - Long – Term Debt

##### Changes in Bonds Payable and Accrued Employee Leave

The following is a summary of changes in bonds payable and accrued employee leave for the year ended September 30, 2023:

	Balance 09/30/22	Additions	Retirements	Balance 09/30/23	Current Portion
Bonds Payable	\$ 1,060,000	\$ -	\$ (135,000)	\$ 925,000	\$ 140,000
Bond Premium	82,754		(12,260)	70,494	12,260
Accrued Employee Leave	<u>99,644</u>	<u>65,370</u>	<u>(80,223)</u>	<u>84,791</u>	<u>70,000</u>
	<u>\$ 1,242,398</u>	<u>\$ 65,370</u>	<u>\$ (227,483)</u>	<u>\$ 1,080,285</u>	<u>\$ 222,260</u>

#### Capital Financing Program Bonds Series 2015A

Interest on the 2015A Series Bonds is payable semi-annually on June 1 and December 1 of each year. The bonds maturing on June 1, 2029 are not subject to optional redemption prior to maturity except under extraordinary circumstances. The bonds are presented on the statement of net position net of unamortized premium of \$70,494 for the year ended September 30, 2023. The bonds are secured by the Association's net revenues and by the lodging tax proceeds received from the City of Minot.

Minimum principal and interest payments required on 2015A Series Bonds are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 140,000	\$ 33,500	\$ 173,500
2025	145,000	28,500	173,500
2026	150,000	22,600	172,600
2027	155,000	16,500	171,500
2028-2029	335,000	13,500	348,500
	<u>\$ 925,000</u>	<u>\$ 114,600</u>	<u>\$ 1,039,600</u>

#### **Note 6 - Appropriations**

The North Dakota State Fair Association receives premium appropriations from the State of North Dakota. These premium appropriations are restricted for the purpose of providing premiums to fair exhibition winners. Premium appropriations expended for the year ended September 30, 2023 were \$312,361.

#### **Note 7 - Related Party Transactions**

The North Dakota State Fair Association receives commission payments on beer and concession sales from vendors who operate on the fairgrounds. The Association has a standard agreement with a vendor, M & S Concessions, who is a related party through common governance and ownership. Commission payments totaling \$1,253,759 were received from M & S Concessions by the Association during the year ended September 30, 2023.

#### **Note 8 - Pensions**

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

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

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

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

### **Pension Benefits**

Benefits are set by statute. NDPERS has no 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 replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2021 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

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

### **Death and Disability Benefits**

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

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

### **Refunds of Member Account Balance**

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

### **Member and Employer Contributions**

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2021 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation

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

- 1 to 12 months of service – Greater of one percent of monthly salary 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 September 30, 2023 the Association reported a liability of \$1,902,954 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. North Dakota State Fair Association's proportion of the net pension liability was based on the Association'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 Association's proportion was 0.098688% which was an increase of 0.005224% from its proportion measured as of June 30, 2022.

For the year ended September 30, 2023, the Association recognized pension expense of \$77,781. At September 30, 2023, the Association reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Deferred Outflows of Resources**

Difference between expected and actual experience	\$ 61,947
Changes in assumption	1,049,311
Net difference between projected and actual earnings on pension plan investments	49,930
Changes in proportion and difference between Association contributions and proportionate share of contributions	166,348
Association contributions subsequent to the measurement date	<u>44,168</u>
	<u><u>\$ 1,371,704</u></u>

**Deferred Inflows of Resources**

Difference between expected and actual experience	\$ 10,495
Changes in assumption	1,444,390
Changes in proportion and difference between Association contributions and proportionate share of contributions	<u>50,264</u>
	<u><u>\$ 1,505,149</u></u>

\$44,168 reported as deferred outflows of resources related to pensions resulting from Association contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2024.

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

<u>Year Ending September 30:</u>		
2024	\$	22,861
2025		(163,479)
2026		61,325
2027		<u>(98,320)</u>
Total	<u>\$</u>	<u><u>(177,613)</u></u>



### 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
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustments	None

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

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

	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.0%	6.25%
International Equity	20.0%	6.95%
Private Equity	7.0%	9.45%
Domestic Fixed Income	23.0%	2.51%
Global Real Assets	19.0%	4.33%
Total	<u>100%</u>	

### Discount Rate

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

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

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

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

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

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Association's proportionate share of the net pension liability	\$ 2,623,716	\$ 1,902,954	\$ 1,305,025

### 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, 2021, 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 September 30, 2023, the Association reported a liability of \$80,066 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 Association's proportion of the net OPEB liability was based on the Association's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2023, the Association's proportion was 0.080086%. This was an increase of 0.006471% from 2022.

For the year ended September 30, 2023, the Association recognized OPEB expense of \$6,481. At September 30, 2023, the Association reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**Deferred Outflows of Resources**

Difference between expected and actual experience	\$ 1,506
Changes in assumption	17,076
Net difference between projected and actual earnings on OPEB plan investments	5,783
Changes in proportion and difference between Association contributions and proportionate share of contributions	4,035
Association contributions subsequent to the measurement date	<u>2,251</u>
	<u><u>\$ 30,651</u></u>

**Deferred Inflows of Resources**

Difference between expected and actual experience	\$ 916
Changes in assumption	6,630
Net difference between projected and actual earnings on OPEB plan investments	
Changes in proportion and difference between Association contributions and proportionate share of contributions	<u>6,156</u>
	<u><u>\$ 13,702</u></u>

\$2,251 reported as deferred outflows of resources related to OPEB resulting from Association contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2024.

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

<u>Year Ending September 30:</u>	
2024	\$ 4,247
2025	4,064
2026	8,096
2027	(1,709)
Totals	<u>\$ 14,698</u>

### *Actuarial Assumptions*

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

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

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic Equities	33.0%	6.10%
Small Cap Domestic Equities	6.0%	7.10%
Domestic Fixed Income	35.0%	2.59%
International Equities	26.0%	6.50%
Total	<u>100%</u>	

#### ***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 Association'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:

	<u>1% Decrease 4.75%</u>	<u>Current Discount Rate 5.75%</u>	<u>1% Increase 6.75%</u>
Association's proportionate share of the net OPEB liability	\$ 105,226	\$ 80,066	\$ 58,884

## **Note 10 - Risk Management**

The North Dakota State Fair Association is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The following are funds/pools established by the State for risk management issues:

The 1995 Legislative Session established the Risk Management Fund (RMF), an internal service fund, to provide a self-insurance vehicle for funding the liability exposures of State agencies resulting from the elimination of the State's sovereign immunity. The RMF manages the tort liability of the State, its agencies' employees and the University System. All State agencies participate in the RMF and their fund contribution was determined using a projected cost allocation approach. The statutory liability of the State is limited to a total of \$250,000 per person and \$1,000,000 per occurrence.

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

The Association also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The agency pays an annual premium to the Fire and Tornado Fund to cover property damage to building and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the agency 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 agency participates in the North Dakota Workforce Safety and Insurance Fund (WSI), an Enterprise Fund of the State of North Dakota. The WSI is a state insurance fund and a "no fault" insurance system covering the State's employers and employees financed by premiums assessed to employers. The premiums are available for the payment of claims to employees injured in the course of employment.

There have been no significant reductions in insurance coverage from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in any of the past two fiscal years.

## Note 11 - Leases

### Lease Receivables

The Association entered into a multi-year lease agreement as lessor for the rent of building space to six third parties and land to a cellular provider. The Association will receive monthly payments of \$5,133 and annual payments of \$140,118. The Association has interest rates of 2.50% to 4.48%. The Association recognized \$213,795 in lease revenue and \$14,013 in interest revenue during the current fiscal year related to this lease. As of September 30, 2023, the Association's lease receivable was \$361,587. Also, the Association has deferred inflows of resources associated with this lease that will be recognized as revenue over the lease term. As of September 30, 2023, the balance of the deferred inflow of resources was \$335,869.

The future principal and interest lease receipts as of September 30, 2023, were as follows:

<u>Years Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 184,858	\$ 8,444
2025	152,191	1,773
2026	16,413	604
2027	8,125	113
	<u>\$ 361,587</u>	<u>\$ 10,934</u>

## Note 12 - Commitments

The North Dakota State Fair Association entered into an agreement with M&S Concessions. M&S Concessions is responsible to provide for its own concession equipment. In the event that the agreement is not renewed or terminated, the Association is committed to purchase the equipment and improvements installed by M&S Concessions at a price equal to "depreciated value." Depreciated value means the original cost of the equipment or improvements, less 10% per year from the date of installation to the date of termination. Estimated depreciated value at September 30, 2023 was \$41,543.

## Note 13 - Subsequent Events

The Association has evaluated subsequent events through September 18, 2024, the date which the financial statements were available to be issued. During fiscal year 2024, the Association completed a Showring remodel project of the Jaycee Building amounting to approximately \$490,000. In addition, a playground was purchased for \$226,500.



Required Supplementary Information  
September 30, 2023

**North Dakota State Fair Association**

North Dakota State Fair Association  
Required Supplementary Information  
Schedules of Employer's Share of Net Pension Liability and Employer Contributions  
September 30, 2023

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**Schedules of Required Supplementary Information**

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.098688%	0.093464%	0.091755%	0.082844%	0.104758%	0.099552%	0.103911%	0.107160%	0.103567%
Employer's proportionate share of the net pension liability	\$1,902,954	\$2,691,825	\$956,363	\$2,606,290	\$1,227,840	\$1,670,191	\$1,044,379	\$704,238	\$699,082
Employer's covered payroll	\$1,206,826	\$1,084,960	\$1,039,021	\$913,866	\$1,089,664	\$1,060,771	\$1,079,917	\$922,657	\$927,789
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	157.68%	248.10%	92.04%	285.19%	112.68%	157.45%	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	65.31%	54.47%	78.26%	48.91%	71.66%	62.80%	61.98%	70.46%	77.15%

\* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Association will present information for those years for which information is available. Complete data for this schedule is not available prior to 2015.

North Dakota State Fair Association  
Required Supplementary Information  
Schedules of Employer's Share of Net Pension Liability and Employer Contributions  
September 30, 2023

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$91,297	\$81,716	\$76,624	\$106,540	\$116,941	\$108,283	\$112,794	\$114,398	\$112,171
Contributions in relation to the statutorily required contribution	\$92,381	\$83,490	\$70,678	(\$106,540)	(\$116,941)	(\$108,283)	(\$112,794)	(\$114,398)	(\$112,171)
Contribution deficiency (excess)	(\$1,084)	(\$1,774)	\$5,946	\$0	\$0	\$0	\$0	\$0	\$0
Employer's covered payroll	\$1,206,826	\$1,084,960	\$1,039,021	\$1,496,353	\$1,642,423	\$1,520,829	\$1,584,181	\$1,606,715	\$1,575,432
Contributions as a percentage of covered payroll	7.65%	7.70%	6.80%	7.12%	7.12%	7.12%	7.12%	7.12%	7.12%

\* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Association will present information for those years for which information is available. Complete data for this schedule is not available prior to 2015.

*Changes of benefit terms*

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

*Changes of assumptions*

All actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020. There have been no changes in actuarial assumptions since the previous actuarial valuation as of July 1, 2022.

**Schedules of Required Supplementary Information**

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

	2023	2022	2021	2020	2019	2018	2017
Employer's proportion of the OPEB liability	0.080086%	0.073615%	0.079279%	0.080166%	0.976530%	0.934650%	0.098052%
Employer's proportionate share of the net OPEB liability	\$80,066	\$88,361	\$44,093	\$67,435	\$78,434	\$73,610	\$77,560
Employer's covered-employee payroll	\$805,011	\$760,008	\$864,347	\$913,866	\$1,089,664	\$1,022,715	\$1,060,771
Employer's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.09945951	11.63%	5.10%	7.38%	7.20%	7.20%	7.31%
Plan fiduciary net position as a percentage of the total OPEB	62.74%	56.28%	76.63%	63.38%	63.13%	61.89%	59.78%

\*GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Association will present information for those years for which information is available. Complete data for this schedule is not available prior to 2017.

North Dakota State Fair Association  
Required Supplementary Information  
Schedules of Employer's Share of OPEB Liability and Employer Contributions  
September 30, 2023

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

	2023	2022	2021	2020	2019	2018	2017
Statutorily required contribution	\$9,720	\$9,250	\$10,394	\$17,058	\$18,724	\$17,337	\$12,331
Contributions in relation to the statutorily required contribution	\$9,166	\$9,743	\$10,206	(\$17,058)	(\$18,724)	(\$17,337)	\$12,268
Contribution deficiency (excess)	\$554	(\$493)	\$188	\$0	\$0	\$0	\$63
Employer's covered-employee payroll	\$805,011	\$760,008	\$864,347	\$1,496,353	\$1,642,423	\$1,520,829	\$1,060,771
Contributions as a percentage of covered-employee payroll	1.14%	1.28%	1.18%	1.14%	1.14%	1.14%	1.16%

\*GASB Statement no. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Association will present information for those years for which information is available. Complete data for this schedule is not available prior to 2017.

### **Changes of Benefit Terms**

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2022.

### **Changes of Assumptions**

All actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020. There have been no changes in actuarial assumptions since the previous actuarial valuation as of July 1, 2022.



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

The Board of Directors  
North Dakota State Fair Association  
Minot, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the North Dakota State Fair Association (the Association), an enterprise fund of the State of North Dakota as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise North Dakota State Fair Association's basic financial statements and have issued our report thereon dated September 18, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2023-001 that we consider to be a material weakness.



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

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

## **Association's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Association's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Responses. The Association's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Bismarck, North Dakota  
September 18, 2024

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**Financial Statement Findings**

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**2023-001      Financial Statement Presentation  
Material Weakness**

*Criteria* – GASB codification 2100 (Defining the Financial Reporting Entity) establishes criteria in identifying component units which includes organizations for which the nature and significance of their relationship is such that exclusion would cause the primary government's financial statements to be misleading or incomplete. The North Dakota State Fair Foundation meets the criteria set forth, and as such, is a component unit of the North Dakota State Fair Association that should be discretely presented.

*Condition* – The North Dakota State Fair Association also has not included the financial statements of the North Dakota State Fair Foundation, a component unit of the Association, which accounting principles generally accepted in the United States of America require to be presented as a discretely presented component unit.

*Cause* – Management of the North Dakota State Fair Association excluded the North Dakota State Fair Foundation as a component unit for the year ended September 30, 2023 which led to the exclusion in the financial statements.

*Effect* – This item result in departures from accounting principles generally accepted in the United States of America.

*Recommendation* – Management should report the North Dakota State Fair Foundation as a discretely presented component unit in its financial statements.

*Views of Responsible Officials* – We acknowledge the audit finding regarding the GAAP departure related to the omission of the North Dakota State Fair Foundation's financials. There is no disagreement with the finding. The Foundation's financials were not included due to the unavailability of the necessary documents in a timely manner. We worked closely with the State Auditor's Office and obtained their permission to proceed with this finding, given the circumstances.