

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
KILLDEER, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2024

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Killdeer Public School District No. 16
Killdeer, North Dakota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Killdeer Public School District No. 16, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Killdeer Public School District No. 16, as of June 30, 2024, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Killdeer Public School District No. 16, and to meet our 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 opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Killdeer Public School District No. 16's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of district's contributions to the TFFR and NDPERS pension plans, schedule of district's contributions to the NDPERS OPEB plan, schedule of district's proportionate share of net pension liability, schedule of district's share of net OPEB liability, and notes to required supplementary information, as listed on 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are 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 January 7, 2025 on our consideration of Killdeer Public School District No. 16'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 Killdeer Public School District No. 16'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 Killdeer Public School District No. 16's internal control over financial reporting and compliance.



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

January 7, 2025

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
STATEMENT OF NET POSITION
JUNE 30, 2024

	Governmental Activities
ASSETS	
Cash and investments	\$ 13,046,687
Investments	1,912,202
Accounts receivable, net	281,645
Interest receivable	1,100
Taxes receivable	163,998
Prepaid items	55,829
Capital assets	
Land and buildings	48,221,850
Building improvements	2,962,795
Vehicles	1,871,690
Furniture and equipment	3,279,440
Construction in process	5,495
Less accumulated depreciation	<u>(10,295,684)</u>
Total capital assets, net of depreciation	<u>46,045,586</u>
Total Assets	61,507,047
Deferred Outflows of Resources	
Derived from pension	3,413,254
Derived from OPEB	<u>34,109</u>
Total Deferred Outflows of Resources	3,447,363
Liabilities	
Accounts payable	136,759
Salaries and benefits payable	1,010,232
Accrued Interest	226,578
Bonds payable due in one year	900,000
Long-term liabilities	
Net pension liability	8,919,629
Net OPEB liability	58,900
General obligation bonds payable	<u>13,614,181</u>
Total Liabilities	24,866,279
Deferred Inflows of Resources	
Derived from pension	2,409,045
Derived from OPEB	<u>17,337</u>
Total Deferred Inflows of Resources	2,426,382
Net Position	
Net investment in capital assets	31,531,405
Restricted for	
Student activities	486,308
Capital projects	4,569,434
Special reserve	1,018,076
Debt service	1,543,444
Unrestricted	<u>(1,486,918)</u>
Total Net Position	<u>\$ 37,661,749</u>

See Notes to the Financial Statements

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
	Expenses				Governmental Activities
Functions/Programs					
Governmental Activities					
Instruction	\$ 7,926,871	\$ 410,065	\$ 436,228	\$ -	\$ (7,080,578)
Instructional staff	300,101	-	-	-	(300,101)
General administration	307,435	-	-	-	(307,435)
School administration	577,885	-	-	-	(577,885)
Business administration	534,864	-	-	-	(534,864)
Operation and maintenance	934,845	90,487	-	-	(844,358)
Student transportation	611,442	-	181,693	-	(429,749)
Central support services	37,850	-	-	-	(37,850)
Other support services	28,296	-	-	-	(28,296)
Food service	590,352	218,504	170,024	-	(201,824)
Adult education/community services	423,483	149,791	-	-	(273,692)
Student activities	1,143,018	708,109	-	-	(434,909)
Building construction	270,107	-	-	5,950,000	5,679,893
Interest and fees on long-term debt	154,961	-	-	-	(154,961)
	<u>\$ 13,841,510</u>	<u>\$ 1,576,956</u>	<u>\$ 787,945</u>	<u>\$ 5,950,000</u>	<u>(5,526,609)</u>
General Revenues:					
Taxes:					
Property Taxes, Levied for general purposes					4,285,121
Property Taxes, Levied for capital projects					740,478
Property Taxes, Levied for debt service					1,576,302
Oil and Gas Production Taxes					3,340,295
Flood Control					1,371,976
Other					14,374
State Aid					2,067,226
Unrestricted Investment Earnings					359,654
Other Revenues					<u>198,932</u>
Total General Revenues					<u>13,954,358</u>
Changes in Net Position					8,427,749
Net Position, Beginning of Year					<u>29,234,000</u>
Net Position, End of Year					<u>\$ 37,661,749</u>

See Notes to the Financial Statements

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2024

	<u>Major Funds</u>			<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
ASSETS					
Cash and investments	\$ 6,254,449	\$ 4,551,094	\$ 1,730,345	\$ 510,799	\$ 13,046,687
Investments	1,373,052	-	-	539,150	1,912,202
Accounts receivable	281,645	-	-	-	281,645
Interest receivable	700	-	-	400	1,100
Taxes receivable	105,981	18,340	39,677	-	163,998
Due from other funds	1,023	-	-	-	1,023
Prepaid items	55,829	-	-	-	55,829
TOTAL ASSETS	<u>\$ 8,072,679</u>	<u>\$ 4,569,434</u>	<u>\$ 1,770,022</u>	<u>\$ 1,050,349</u>	<u>\$ 15,462,484</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 136,759	\$ -	\$ -	\$ -	\$ 136,759
Due to other funds	68	-	-	955	1,023
Salaries and benefits payable	1,010,232	-	-	-	1,010,232
Total liabilities	<u>1,147,059</u>	<u>-</u>	<u>-</u>	<u>955</u>	<u>1,148,014</u>
Deferred inflows of resources:					
Unavailable property taxes	92,451	15,988	34,183	-	142,622
Total liabilities and deferred inflows of resources	<u>1,239,510</u>	<u>15,988</u>	<u>34,183</u>	<u>955</u>	<u>1,290,636</u>
Fund balances:					
Nonspendable	55,829	-	-	-	55,829
Restricted for student activities	486,308	-	-	-	486,308
Restricted for capital projects	-	4,553,446	-	-	4,553,446
Restricted for special reserve	-	-	-	1,018,076	1,018,076
Restricted for debt service	-	-	1,735,839	-	1,735,839
Assigned for:					
Food service	-	-	-	31,318	31,318
Unassigned	6,291,032	-	-	-	6,291,032
Total fund balances	<u>6,833,169</u>	<u>4,553,446</u>	<u>1,735,839</u>	<u>1,049,394</u>	<u>14,171,848</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,072,679</u>	<u>\$ 4,569,434</u>	<u>\$ 1,770,022</u>	<u>\$ 1,050,349</u>	<u>\$ 15,462,484</u>

See Notes to the Financial Statements

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2024

Total fund balances - governmental funds		\$ 14,171,848
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost	56,341,270	
Accumulated Depreciation	<u>(10,295,684)</u>	46,045,586
Deferred outflows of resources are not a financial resource available for the current period, and therefore, are not reported in the governmental funds balance sheet.		
		3,447,363
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.		
		(2,426,382)
Property taxes receivable will be collected this year but are not available soon enough to pay for the current period expenditures, and therefore are deferred in the funds.		
		142,622
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Balances at June 30, 2023 are:		
General obligation bonds payable	(14,514,181)	
Net pension liability	(8,919,629)	
Net OPEB liability	<u>(58,900)</u>	<u>(23,492,710)</u>
Interest payable is not due and payable in the current period and, therefore, is not reported as a receivable/liability in the governmental funds.		
		<u>(226,578)</u>
Net position of governmental activities		<u>\$ 37,661,749</u>

See Notes to the Financial Statements

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	Major Funds			Other	Total
	General	Capital Projects	Debt Service	Governmental Funds	Governmental Funds
Revenues:					
Property taxes	\$ 4,255,935	\$ 735,434	\$ 1,569,980	\$ -	\$ 6,561,349
Oil & gas production taxes	3,340,295	-	-	-	3,340,295
Local aid	1,386,350	-	5,950,000	-	7,336,350
State aid	2,295,039	-	-	4,939	2,299,978
Federal aid	390,108	-	-	165,086	555,194
Fees and charges	1,267,964	90,487	-	218,504	1,576,955
Earnings on investments	345,395	-	-	14,260	359,655
Miscellaneous	184,932	14,000	-	-	198,932
Total Revenues	13,466,018	839,921	7,519,980	402,789	22,228,708
Expenditures					
Current					
Instruction	6,187,216	-	-	-	6,187,216
Instructional staff	300,101	-	-	-	300,101
General administration	307,435	-	-	-	307,435
School administration	386,070	-	-	-	386,070
Business administration	534,864	-	-	-	534,864
Operation and maintenance	934,845	-	-	-	934,845
Student transportation	513,768	-	-	-	513,768
Central support services	37,850	-	-	-	37,850
Other support services	28,296	-	-	-	28,296
Food service	-	-	-	590,352	590,352
Adult education/community services	423,483	-	-	-	423,483
Student activities	1,143,018	-	-	-	1,143,018
Building construction	-	270,108	-	-	270,108
Capital outlay	196,804	1,123,081	-	-	1,319,885
Debt service					
Principal	-	-	6,745,000	-	6,745,000
Interest and fees	-	-	473,039	-	473,039
Total expenditures	10,993,750	1,393,189	7,218,039	590,352	20,195,330
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,472,268	(553,268)	301,941	(187,563)	2,033,378
Other Financing Sources (Uses)					
Transfers in (out)	(548,526)	-	-	548,526	-
Total other financing sources (uses)	(548,526)	-	-	548,526	-
Net Change in Fund Balances	1,923,742	(553,268)	301,941	360,963	2,033,378
Fund Balances, Beginning of Year	4,909,427	5,106,714	1,433,898	688,431	12,138,470
Fund Balances, End of Year	\$ 6,833,169	\$ 4,553,446	\$ 1,735,839	\$ 1,049,394	\$ 14,171,848

See Notes to the Financial Statements

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

Net change in fund balances - total governmental funds \$ 2,033,378

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which purchases exceeded depreciation.

Capital assets purchased in the current period	1,319,885	
Depreciation expense of capital assets reported	<u>(1,633,061)</u>	(313,176)

The proceeds from bond issuances and related premiums are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect net position but the repayment and premium amortization reduces long-term liabilities.

Debt repaid		6,745,000
Amortization		544,657

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (226,578)

Governmental funds report pension and OPEB expenditures as accrued for actual benefits paid in the expenditures. However in the statement of activities, the pension expense is an actuarial calculation of the cost of the plan accounting for projected future benefits, plan earnings, and contributions. (396,084)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds. Deferred tax revenues decreased by this amount this year. 40,552

Change in net position of governmental activities \$ 8,427,749

See Notes to the Financial Statements

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Killdeer Public School District No. 16 complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Reporting Entity

In accordance with Governmental Accounting Standards Board Statement No. 14 *The Financial Reporting Entity*, for financial reporting purposes the District's financial statements include all accounts of the District's operations. The criteria for including organizations as component units within the District's reporting entity include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The District holds the corporate powers of the organization
- The District appoints a voting majority of the organization's board
- The District is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the District
- There is a fiscal dependency by the organization on the District

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

Basis of Presentation

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

Government-Wide Financial Statements

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements display information about the District as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are supported by taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Currently, the District does not classify any activities as business-type.

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

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

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

Fund Financial Statements

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

Fund Accounting

The District's funds consist of the following:

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

General Fund:

The General Fund is the main operating fund of the District. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Capital Projects Fund:

This fund accounts for financial resources dedicated to the construction of new school buildings, additions to old school buildings, and the making of major repairs to existing buildings.

Debt Service Fund:

This fund is used to account for the accumulation of resources for, and the payment of principal and interest on the District's general obligation bonds.

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

Special Reserve Fund:

This fund is allowed under North Dakota state law and may levy a tax to be used if the general fund has funds insufficient to pay for teacher salaries, heat, lights and fuel.

Food Service Fund:

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

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

Fund Financial Statements

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

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

Basis of Accounting

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

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

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

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for services, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

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

Interfund Transactions

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of governmental funds.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

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.

Encumbrance Accounting

Encumbrances are commitments related to unperformed contracts for goods and services that may be recorded for budgetary control purposes. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. No reservation of fund balances is provided at year-end.

Cash and Cash Equivalents

Cash and cash equivalents consist of amounts in demand deposits.

Investments

At June 30, 2024, the District's investments consisted of certificates of deposit with original maturities greater than three months. These investments are reported at amortized cost.

Credit Risk

The 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.

Leases

The District is the lessor in multiple short-term leases for staff housing and building space. Short term leases have a term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise. The District has elected to record rent revenue for short term leases on a straight-line basis over the lease term.

Capital Assets

Capital assets include buildings, building improvements, vehicles, machinery and equipment, and furniture and fixtures and are reported in the government-wide financial statements. Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more and a useful life of more than one year. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	70 years
Building Improvements	20 years
Vehicles	5-10 years
Machinery and Equipment	5-10 years
Furniture and Fixtures	5-10 years

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. Any new indebtedness that may be issued in the future, bond premiums and discounts will be deferred and amortized over the life of the bonds. Bond issuance costs are recognized in the current period.

In the fund financial statements, governmental fund types recognize bond premium, discounts, and issuance costs in the current period. The face amount of the debt is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing sources and uses. Issuance costs are reported as debt service expenditures.

Net Position

Net position represents the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the school board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Balance Classifications

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

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

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

Committed – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the school board – the District’s highest level of decision making authority. Those committed amounts cannot be used for any other

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

purpose unless the school board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

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

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section of 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 District has two items reported on the statement of net position as derived from pension and OPEB, which represent the actuarial differences within the TFFR and NDPERS pension and other post employment benefit plans as well as amounts paid to the plans after the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items, one of which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable property taxes, is reported only in 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 items are reported on the statement of net position and are derived from pension and OPEB plans, which represent actuarial differences within the TFFR, NDPERS and OPEB plans.

Pensions

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

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

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 for 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.

Budgets

The School District budget is prepared in accordance with accounting principles generally accepted in the United States of America and the School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The School Board reviews the budget, may make revisions and approves it on or before August 15. The budget must be filed with the County Auditor by October 10.
2. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared except no amendment changing the taxes levied can be made after October 10.
3. The balance of each appropriation becomes a part of the unappropriated balance at year-end.

For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year.

Revenue Recognition – Property Taxes

Under state law, the District is limited in its ability to levy property taxes. All school tax levies are in compliance with state laws. Property taxes attach as an enforceable lien on property on January 1. A 5% reduction is allowed if paid by February 15th. Penalty and interest are added March 1st unless the first half of the taxes has been paid. Additional penalties are added October 15th if not paid. Taxes are collected by the county and remitted monthly to the school.

In its fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end. Taxes receivable consist of current and delinquent uncollected taxes at June 30. No allowance has been established for estimated uncollectible taxes because an offsetting deferred revenue has been recorded.

In the government-wide financial statements, property taxes are recorded as a receivable and revenue when assessed.

Estimates

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

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

NOTE 2 CASH AND INVESTMENTS

Deposits

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

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, federal land bank bonds, 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.

As of June 30, 2024, the District's carrying balances were \$14,958,889. The bank balance of these deposits as of June 30, 2024 was \$15,083,104. Of the bank balances, \$1,000,000 was covered by Federal Depository Insurance and the remaining balance was collateralized with securities pledged by the financial institutions.

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

NOTE 3 CAPITAL ASSETS

Following is a summary of capital asset activity for the year ended June 30, 2024:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities					
Capital Assets, not being Depreciated					
Land	\$ 599,859	\$ -	\$ -	\$ -	\$ 599,859
Construction in Process	-	5,495	-	-	5,495
Total Capital Assets, not being Depreciated	599,859	5,495	-	-	605,354
Capital Assets, being Depreciated					
Buildings	46,781,426	840,565	-	-	47,621,991
Building Improvements	2,805,306	157,489	-	-	2,962,795
Vehicles	1,947,836	175,804	(251,950)	-	1,871,690
Furniture and Equipment	3,343,534	140,531	(204,625)	-	3,279,440
Total Capital Assets, being Depreciated	54,878,102	1,314,389	(456,575)	-	55,735,916
Accumulated Depreciation					
Buildings	4,447,292	1,157,809	-	-	5,605,101
Building Improvements	1,021,496	185,763	-	-	1,207,259
Vehicles	1,422,228	97,674	(251,950)	-	1,267,952
Furniture and Equipment	2,228,182	191,815	(204,625)	-	2,215,372
Total Accumulated Depreciation	9,119,198	1,633,061	(456,575)	-	10,295,684
Governmental Activities Capital Assets, Net	\$ 46,358,763	\$ (313,177)	\$ -	\$ -	\$ 46,045,586

Depreciation expense for the year ended June 30, 2024 is reported in the government-wide statement of activities as follows:

Governmental Activities	
Instruction	\$ 1,343,572
School Administration	191,815
Transportation Services	<u>97,674</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,633,061</u>

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

NOTE 4 LONG-TERM DEBT

Following is a summary of long-term debt activity for the year ended June 30, 2024:

	<u>Interest Rate</u>	<u>Maturity</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Series 2020A General Obligation Bonds	2.000% - 5.000%	8/1/2040	\$11,550,000		\$ (6,745,000)	\$ 4,805,000
Series 2021A General Obligation Bonds	1.375% - 5.000%	8/1/2040	8,765,000	-	-	8,765,000
Series 2020A Bond Premium			966,429	-	(514,025)	452,404
Series 2021A Bond Premium			<u>522,408</u>	<u>-</u>	<u>(30,631)</u>	<u>491,777</u>
Total			<u>\$21,803,837</u>	<u>\$ -</u>	<u>\$ (7,289,656)</u>	<u>\$ 14,514,181</u>

Bond Defeasance

During 2024, the District placed cash of \$6,934,346 with an escrow agent to be used solely for satisfying interest and principal payments on Series 2020A General Obligation Bonds of \$6,745,000 to be redeemed on August 1, 2028.

Debt service requirements on long-term debt at June 30, 2024 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 900,000	\$ 521,288	\$ 1,421,288
2026	945,000	475,163	1,420,163
2027	990,000	426,788	1,416,788
2028	1,040,000	376,038	1,416,038
2029	1,095,000	322,663	1,417,663
2029-2033	4,590,000	960,331	5,550,331
2034-2038	2,810,000	255,916	3,065,916
2039-2042	<u>1,200,000</u>	<u>24,100</u>	<u>1,224,100</u>
Total	<u>\$ 13,570,000</u>	<u>\$ 3,362,287</u>	<u>\$ 16,932,287</u>

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

NOTE 5 DEFINED BENEFIT PENSION PLANS – STATEWIDE

North Dakota Teachers' Fund for Retirement

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

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

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

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

Tier 2

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

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

Death and Disability Benefits

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

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

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

Member and Employer Contributions

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

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

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

At June 30, 2024, the District reported a liability of \$6,858,674 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 Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2023, the Employer's proportion was 0.488749 percent which was a decrease of 0.029531 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the Employer recognized pension expense of \$736,339. 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 economic experience	\$ 25,556	\$ 364,058
Changes in actuarial assumptions	108,530	-
Net difference between projected and actual earnings on pension plan investments	418,612	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	631,536	411,401
Employer contributions subsequent to the measurement date	514,314	-
Total	<u>\$ 1,698,548</u>	<u>\$ 775,459</u>

\$514,314 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025.

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

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

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2025	\$ 171,654
2026	43,969
2027	519,425
2028	(71,931)
2029	(71,307)
Thereafter	(183,035)

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 3.80% wage inflations, plus step rate promotional increases for members with less than 30 years of service
Investment rate of return	7.25%, net of investment expenses
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 pension plan investment expense and inflation) are developed for each major asset

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

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 are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent as of June 30, 2023. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2023, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of 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 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 7.25 percent as of June 30, 2023, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	6.25%	7.25%	8.25%
School's proportionate share of the TFFR net pension liability:	\$ 9,549,205	\$ 6,858,674	\$ 4,625,977

Pension plan fiduciary net position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report. TFFR's Annual Comprehensive Financial Report (ACFR) is located at <https://www.rio.nd.gov/sites/www/files/documents/PDFs/RIO/Reports/annualreport2022.pdf>.

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

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. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020, the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service. The Main Plan will be closed to new employees with the passage of North Dakota House Bill 1040. The closure of the plan will be effective on January 1, 2025.

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

Death and Disability Benefits

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

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

- 1 to 12 months of service – Greater of one percent of monthly salary 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 District reported a liability of \$2,060,955 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2023, the District's proportion was 0.106882 percent which was an increase of 0.019382 percent from its proportion measured as of July 1, 2022.

For the year ended June 30, 2024, the District recognized pension expense of \$289,076. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 67,091	\$ 11,366
Changes in actuarial assumptions	1,136,434	1,564,317
Net difference between projected and actual earnings on pension plan investments	54,076	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	337,168	57,903
Employer contributions subsequent to the measurement date	119,937	-
Total	<u>\$ 1,714,706</u>	<u>\$ 1,633,586</u>

\$119,937 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 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 Ending June 30,	Pension Expense Amount
2025	\$ 76,700
2026	(162,152)
2027	123,256
2028	(76,621)

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

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

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	30.90%	6.25%
International Equity	20.10%	6.95%
Private Equity	7.00%	9.45%
Global Fixed Income	23.00%	2.51%
Global Real Assets	19.00%	4.33%

Discount Rate

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

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

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

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

The following presents the 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 in Discount Rate	Discount Rate	1% Increase in Discount Rate
	5.50%	6.50%	7.50%
School's proportionate share of the NDPERS net pension liability:	\$ 2,841,561	\$ 2,060,955	\$ 1,413,381

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

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 6 DEFINED BENEFIT OPEB PLAN

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

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

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

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

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

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

At June 30, 2024, the District reported a liability of \$58,900 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2023, the District's proportion was 0.058915 percent which was an increase of 0.004447 percent from its proportion measured as of July 1, 2022.

For the year ended June 30, 2024, the District recognized OPEB expense of \$10,991. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,109	\$ 674
Changes in actuarial assumptions	12,562	4,878
Net difference between projected and actual earnings on OPEB plan investments	4,254	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,097	11,785
Employer contributions subsequent to the measurement date	7,087	-
Total	<u>\$ 34,109</u>	<u>\$ 17,337</u>

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

\$7,087 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025.

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

<u>Year Ending June 30,</u>	<u>OPEB Expense Amount</u>
2025	\$ 4,210
2026	2,434
2027	4,295
2028	(1,255)

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:

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
S&P 500 Index	33.00%	5.50%
US Small Cap Equity	6.00%	7.65%
World Equity ex-US	26.00%	6.82%
US High Yield	3.00%	5.32%
Emerging Markets Debt	4.00%	6.25%
Core-Plus Fixed Income	28.00%	4.04%

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 in Discount Rate	Discount Rate	1% Increase in Discount Rate
	4.75%	5.75%	6.75%
District's proportionate share of the net OPEB liability:	\$ 77,409	\$ 58,900	\$ 43,318

NOTE 7 RISK MANAGEMENT

The Killdeer Public School District No. 16 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986 state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Killdeer Public School District No. 16 pays an annual premium to NDIRF for its general insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence.

The District continues to carry commercial insurance for all other risks of loss, including workers' compensation, North Dakota fire and tornado fund, and employee health and accident insurance.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

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

NOTE 8 TRANSFERS

The District transferred \$353,526 from the General Fund to the Special Fund to draw down the General Fund Balance during the year ended June 30, 2024. The District also transferred \$195,000 from the General Fund to the Food Service Fund to cover wages and benefits during the year ended June 30, 2024.

NOTE 9 PURCHASE COMMITMENTS

As of June 30, 2024, The District has entered into contracts totaling approximately \$77,000 for services in connection with construction of a new Greenhouse. As of June 30, 2024, no payments have been paid on these contracts.

NOTE 10 NEW PRONOUNCEMENTS

GASB Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences through aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The statement is effective for fiscal years beginning after December 15, 2023.

GASB Statement No. 102, *Certain Risk Disclosures*, requires entities to disclose critical information about their exposure to risks due to certain concentrations or limitations that could lead to financial distress or operational challenges. This statement is effective for fiscal years beginning after June 15, 2024.

GASB Statement No. 103, *Financial Reporting Model Improvements*, revises the requirements for management's discussion and analysis with the goal of making it more readable and understandable, requires unusual or infrequent items to be presented separately, defines operating and nonoperating revenues, includes a new section for noncapital subsidies for proprietary funds' statement of revenues, expenses and changes in net position, removes the option to disclose major component information in the notes and requires them to be shown individually or in combine financial statements following the fund financial statements and requires budgetary comparisons to be presented as RSI with new columns for variances between original-to-final budget and final budget-to-actual results. This statement is effective for fiscal years beginning after June 15, 2025.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note. These items include disclosing separately lease assets, intangible right-to-use assets, subscription assets and intangible assets. In addition, additional disclosures will be required for capital assets held for sale. This statement is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

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

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024

NOTE 11 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through January 7, 2025, which is the date these financial statements were available to be issued.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Original/Final Budget	Actual	Variance with Final Budget
Revenue			
Property Taxes	\$ 4,479,311	\$ 4,255,935	\$ (223,376)
Oil & gas production taxes	2,500,000	3,340,295	840,295
Local aid	-	1,386,350	1,386,350
State aid	2,188,028	2,295,039	107,011
Federal aid	388,330	390,108	1,778
Fees and charges	450,400	559,856	109,456
Earnings on investments	50,000	345,395	295,395
Miscellaneous	35,000	184,932	149,932
Total Revenues	10,091,069	12,757,910	2,666,841
Expenditures			
Current			
Instruction	6,256,721	6,187,219	(69,502)
Instructional staff	313,859	300,101	(13,758)
General administration	329,585	307,435	(22,150)
School administration	398,551	386,070	(12,481)
Business administration	548,733	534,864	(13,869)
Operation and maintenance	990,250	934,845	(55,405)
Student transportation	726,900	513,768	(213,132)
Cental support services	38,930	37,850	(1,080)
Other support services	28,500	28,296	(204)
Adult education/community services	430,387	423,483	(6,904)
Student activities	498,211	498,133	(78)
Capital outlay	-	196,804	196,804
Total expenditures	10,560,627	10,348,868	(211,759)
Net Change in Fund Balance	(469,558)	1,860,516	2,330,074
Fund Balance, Beginning of Year	4,486,345	4,486,345	-
Fund Balances, End of Year	<u>\$ 4,016,787</u>	6,346,861	<u>\$ 2,330,074</u>
Other General Funds:			
Student Activity Fund		<u>486,308</u>	
Total General Fund		<u>\$ 6,833,169</u>	

See Notes to the Required Supplementary Information

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE TFFR AND NDPERS PENSION PLANS
LAST 10 YEARS (PRESENTED PROSPECTIVELY)

Teachers Fund for Retirement

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2024	\$ 514,314	\$ (514,314)		\$ 4,033,834	12.75%
2023	500,095	(500,095)	-	3,922,308	12.75%
2022	520,017	(520,017)	-	4,078,553	12.75%
2021	515,312	(515,312)	-	4,041,644	12.75%
2020	475,885	(475,885)	-	3,732,429	12.75%
2019	390,736	(390,736)	-	3,064,597	12.75%
2018	367,531	(367,531)	-	2,882,595	12.75%
2017	348,155	(348,155)	-	2,730,627	12.75%
2016	336,110	(336,110)	-	2,636,155	12.75%
2015	325,438	(325,438)	-	2,552,580	12.75%

North Dakota Public Employees Retirement System

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2024	\$ 119,937	\$ (119,937)		\$ 1,446,579	8.29%
2023	97,383	(97,383)	-	1,263,962	7.70%
2022	75,826	(75,826)	-	1,006,174	7.54%
2021	75,024	(75,024)	-	1,078,012	6.96%
2020	72,646	(75,887)	(3,241)	1,025,945	7.66%
2019	75,770	(72,158)	3,612	1,040,707	6.93%
2018	57,037	(53,118)	3,919	774,387	6.86%
2017	44,387	(44,795)	(408)	612,130	7.32%
2016	45,387	(52,950)	(7,563)	626,915	8.45%
2015	52,650	(51,527)	1,123	693,144	7.43%

See Notes to the Required Supplementary Information

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE NDPERS OPEB PLAN
LAST 10 YEARS (PRESENTED PROSPECTIVELY)

North Dakota Public Employees Retirement System – OPEB

<u>Fiscal Year Ended June 30</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
2024	\$ 7,087	\$ (7,087)		\$ 621,691	1.14%
2023	7,020	(7,020)	-	615,784	1.14%
2022	6,831	(6,831)	-	601,907	1.13%
2021	11,842	(11,842)	-	1,078,012	1.10%
2020	12,053	(12,578)	(525)	1,025,945	1.17%
2019	12,103	(11,553)	550	1,040,707	1.16%
2018	9,083	(8,505)	578	774,387	1.17%

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

See Notes to the Required Supplementary Information

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
LAST 10 YEARS (PRESENTED PROSPECTIVELY)

Teachers Fund for Retirement

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	0.488749%	\$ 6,858,674	\$ 3,921,785	174.89%	69.34%
2023	0.518280%	7,546,459	4,078,425	185.03%	67.50%
2022	0.524403%	5,525,396	4,041,570	136.71%	75.70%
2021	0.511529%	7,828,975	3,732,429	209.76%	63.40%
2020	0.436846%	6,016,472	3,064,597	196.32%	65.50%
2019	0.424030%	5,561,719	2,882,595	192.94%	65.50%
2018	0.404554%	5,556,660	2,730,627	203.49%	63.20%
2017	0.405734%	5,944,242	2,636,155	225.49%	59.20%
2016	0.414983%	5,427,377	2,552,580	212.62%	62.10%
2015	0.400383%	4,195,304	2,322,433	180.64%	66.60%

North Dakota Public Employees Retirement System

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	0.106882%	\$ 2,060,955	\$ 1,307,028	142.47%	65.31%
2023	0.087500%	2,520,173	1,006,174	250.47%	54.47%
2022	0.089270%	930,472	1,010,900	92.04%	78.26%
2021	0.093004%	2,925,926	1,025,945	285.19%	48.91%
2020	0.100052%	1,172,682	1,040,707	112.68%	71.66%
2019	0.075380%	1,272,120	774,387	164.27%	62.80%
2018	0.059963%	963,802	612,130	157.45%	61.98%
2017	0.062208%	606,278	626,915	92.15%	61.98%
2016	0.077805%	529,061	693,144	72.04%	70.46%
2015	0.066835%	424,216	562,999	74.71%	77.15%

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

See Notes to the Required Supplementary Information

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
LAST 10 YEARS (PRESENTED PROSPECTIVELY)

North Dakota Public Employees Retirement System - OPEB

For the Fiscal Year Ended June 30	District's Proportion of the Net OPEB Liability (Asset)	District's Proportionate Share of the Net OPEB Liability (Asset)	District's Covered- Employee Payroll	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered- employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2024	0.058915%	\$ 58,900	\$ 592,208	9.95%	62.74%
2023	0.054468%	65,378	562,331	11.63%	56.28%
2022	0.070699%	39,321	770,796	5.10%	76.63%
2021	0.089998%	75,706	1,025,945	7.38%	63.38%
2020	0.093265%	74,909	1,040,707	7.20%	63.13%
2019	0.070771%	55,737	774,387	7.20%	61.89%
2018	0.056582%	44,757	612,130	7.31%	59.78%

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

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

See Notes to the Required Supplementary Information

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 BUDGETARY COMPARISON

The District adopts an annual budget consistent with accounting principles generally accepted in the United States for the general fund only. The following procedures are used in establishing the budgetary data reflected in the financial statements:

- The annual budget must be prepared and school district taxes must be levied on or before August 15 each year.
- The taxes levied must be certified to the county auditor by October 10.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the business manager at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- The balance of each appropriation becomes a part of the unappropriated fund balance at year-end.

NOTE 2 CHANGES OF BENEFIT TERMS AND ASSUMPTIONS

TFFR

Changes of Assumptions

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

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

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

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

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

NDPERS

Changes of benefit terms.

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.

OPEB

Changes of benefit terms.

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

Changes of assumptions.

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

**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**

Governing Board
Killdeer Public School District No. 16
Killdeer, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Killdeer Public School District No. 16 as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 7, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Killdeer Public School District No. 16'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 Killdeer Public School District No. 16's internal control. Accordingly, we do not express an opinion on the effectiveness of Killdeer Public School District No. 16's internal control.

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

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as items 2024-002 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as items 2024-001 be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Killdeer Public School District No. 16'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*.

Killdeer Public School District No. 16's Response to Findings

Government Auditing Standards required the auditor to perform limited procedures on the District's responses to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Killdeer Public School District No. 16's responses were not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and 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.



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

January 7, 2025

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2024-001: Segregation of Duties – Significant Deficiency

Criteria

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

Condition

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

Cause

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

Effect

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

We are aware of the condition and have implemented controls such as reviews and approvals where feasible. Additionally, upon the arrival of the new Superintendent and Business manager there has been more oversight, collaboration and transparency between the two offices and the school board. The business manager has created efficiencies not experienced prior to her arrival. There is significantly more organization, attention to detail and cross-training that causes orderly and organized workings of the business office and more opportunity for oversight. Additionally, all financial reports are now posted on the school website for public examination.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2024

Finding 2024-002: Preparation of the Financial Statements – Material Weakness

Criteria

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

Condition

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

Cause

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

Effect

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

The District is aware that someone needs to review the audit report each year to make sure the financial statements and note disclosures are a fair presentation for the District. The board is encouraged to ask follow-up questions and gain a deeper understanding of the audit report.