



Lisbon Public School District No. 19

Lisbon, North Dakota

Audit Report

For the Years Ended
June 30, 2017 and 2016

JOSHUA C. GALLION
STATE AUDITOR

Office of the State Auditor
Division of Local Government

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

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LISBON PUBLIC SCHOOL DISTRICT NO. 19

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LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

June 30, 2017 and 2016

SCHOOL OFFICIALS

June 30, 2017

Mark Qual	President
Liz Anderson	Vice-President
Matt Webb	Board Member
Brenna Welton	Board Member
Brent Dick	Board Member
Steven Johnson	Superintendent
Lori Lyons	Business Manager

June 30, 2016

Mark Qual	President
Liz Anderson	Vice-President
Matt Webb	Board Member
Brenna Welton	Board Member
Brent Dick	Board Member
Steven Johnson	Superintendent
Lori Lyons	Business Manager



STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

INDEPENDENT AUDITOR'S REPORT

School Board
Lisbon Public School District No. 19
Lisbon, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lisbon Public School District No. 19, Lisbon, North Dakota, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Lisbon Public School District No. 19's basic financial statements as listed in the table of contents.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 the Lisbon Public School District No. 19, Libson, North Dakota, as of June 30, 2017 and 2016, 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.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information, pension schedules and the notes to the required supplementary information* on pages 40-47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2018 on our consideration of the Lisbon Public School District No. 19'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lisbon Public School District No. 19's internal control over financial reporting and compliance.

/s/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
February 6, 2018

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

STATEMENT OF NET POSITION
June 30, 2017

	<u>Governmental Activities</u>
ASSETS:	
Cash and Investments	\$ 3,121,199
Intergovernmental Receivable	190,795
Due From County	67,534
Taxes Receivable	69,817
Capital Assets (not being depreciated)	
Land	46,882
Construction in Progress	1,253,711
Capital Assets (net of accumulated depreciation):	
Buildings & Building Improvements	5,855,969
Vehicles	411,263
Equipment	224,587
Total Capital Assets	<u>\$ 7,792,412</u>
Total Assets	<u>\$ 11,241,757</u>
DEFERRED OUTFLOWS OF RESOURCES	
Difference between Expected & Actual Experience	<u>\$ 2,064,787</u>
Total Assets & Deferred Outflows of Resources	<u>\$ 13,306,544</u>
LIABILITIES:	
Accounts Payable	\$ 102,574
Salaries Payable	508,307
Benefits Payable	40,494
Interest Payable	643
Long-Term Liabilities:	
Due Within One Year:	
General Obligation Bonds Payable	20,000
State School Construction Loan	20,483
Capital Lease Payable	17,464
Compensated Absences Payable	17,276
Due After One Year:	
State School Construction Loan	88,874
Capital Lease Payable	56,393
Compensated Absences Payable	40,311
Net Pension Liability	8,461,563
Total Liabilities	<u>\$ 9,374,382</u>
DEFERRED INFLOWS OF RESOURCES:	
Change in Projected and Actual Investment Earnings	<u>\$ 358,588</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 9,732,970</u>
NET POSITION:	
Net Investment in Capital Assets	\$ 7,589,198
Restricted for:	
Debt Service	45,993
Capital Projects	131,569
Special Purpose	72,275
Unrestricted	<u>(4,265,461)</u>
Total Net Position	<u>\$ 3,573,574</u>

The notes to the financial statements are an integral part of this statement.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Function/Program	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
<u>Governmental Activities:</u>				
Regular Instruction	\$ 3,081,552	\$ -	\$ -	\$ (3,081,552)
Special Education	652,994	-	199,962	(453,032)
Vocational Education	386,976	-	-	(386,976)
Federal Programs	270,942	-	412	(270,530)
District Wide Services	314,730	-	-	(314,730)
Administration	897,021	173,669	139,305	(584,047)
School Food Services	369,066	-	-	(369,066)
Operations and Maintenance	623,581	-	-	(623,581)
Transportation	471,521	-	153,468	(318,053)
Co-Curricular Activities	238,471	-	-	(238,471)
Other Activities	129,270	-	-	(129,270)
Interest on Long Term Debt	6,453	-	-	(6,453)
Fiscal Charges	650	-	-	(650)
Total Governmental Activities	\$ 7,443,227	\$ 173,669	\$ 493,147	\$ (6,776,411)
<u>General Revenues:</u>				
Property taxes; levied for general purposes				\$ 1,154,356
Property taxes; levied for debt service				19,663
Property taxes; levied for building purposes				269,024
State Grants/Aid - Unrestricted				5,523,637
Interest Income				9,972
Rental Income				9,099
Donations				8,848
Miscellaneous Income				176,602
Total General Revenues				\$ 7,171,201
Changes in Net Position				\$ 394,790
Net Position - July 1				\$ 3,178,784
Net Position - June 30				\$ 3,573,574

The notes to the financial statements are an integral part of this statement.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	Food Service Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<u>ASSETS</u>					
Cash and Investments	\$ 2,799,992	\$ 72,275	\$ 204,665	\$ 44,267	\$ 3,121,199
Intergovernmental Receivable	190,795	-	-	-	190,795
Due from County Treasurer	51,809	-	14,583	1,142	67,534
Taxes Receivable	53,695	-	14,895	1,227	69,817
Total Assets	<u>\$ 3,096,291</u>	<u>\$ 72,275</u>	<u>\$ 234,143</u>	<u>\$ 46,636</u>	<u>\$ 3,449,345</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>					
<u>Liabilities:</u>					
Accounts Payable	\$ -	\$ -	\$ 102,574	\$ -	\$ 102,574
Salaries Payable	508,307	-	-	-	508,307
Benefits Payable	40,494	-	-	-	40,494
Total Liabilities	<u>\$ 548,801</u>	<u>\$ -</u>	<u>\$ 102,574</u>	<u>\$ -</u>	<u>\$ 651,375</u>
<u>Deferred Inflows of Resources:</u>					
Uncollected Taxes Receivable	\$ 53,695	\$ -	\$ 14,895	\$ 1,227	\$ 69,817
Total Liabilities and Deferred Inflows of Resources	<u>\$ 602,496</u>	<u>\$ -</u>	<u>\$ 117,469</u>	<u>\$ 1,227</u>	<u>\$ 721,192</u>
<u>Restricted for:</u>					
Debt Service	\$ -	\$ -	\$ -	\$ 45,409	\$ 45,409
Capital Projects	-	-	116,674	-	116,674
<u>Committed to:</u>					
Food Service	-	72,275	-	-	72,275
<u>Unassigned:</u>					
	2,493,795	-	-	-	2,493,795
Total Fund Balances	<u>\$ 2,493,795</u>	<u>\$ 72,275</u>	<u>\$ 116,674</u>	<u>\$ 45,409</u>	<u>\$ 2,728,153</u>
Total Liabilities and Fund Balances	<u>\$ 3,096,291</u>	<u>\$ 72,275</u>	<u>\$ 234,143</u>	<u>\$ 46,636</u>	<u>\$ 3,449,345</u>

The notes to the financial statements are an integral part of this statement.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2017

Total *Fund Balances* for Governmental Funds \$ 2,728,153

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

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.

Cost of Capital Assets	\$ 11,588,680	
Less Accumulated Depreciation	<u>(3,796,268)</u>	7,792,412

Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenues in the funds. 69,817

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Pensions	\$ 2,064,787	
Deferred Inflows Related to Pensions	<u>(358,588)</u>	1,706,199

Long-term liabilities applicable to the School 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, 2017 are:

General Obligation Bonds Payable	\$ (20,000)	
State School Construction Loan Payable	(109,357)	
Capital Lease Payable	(73,857)	
Interest Payable	(643)	
Compensated Absences Payable	(57,587)	
Net Pension Liability	<u>(8,461,563)</u>	<u>(8,723,007)</u>

Total Net Position - Governmental Activities \$ 3,573,574

The notes to the financial statements are an integral part of this statement.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	General Fund	Food Service Fund	Capital Projects Funds	Debt Service Fund	Total Governmental Funds
<u>Revenues:</u>					
Local Sources	\$ 1,225,837	\$ 173,669	\$ 270,127	\$ 20,132	\$ 1,689,765
State Sources	5,677,519	3,579	-	-	5,681,098
Federal Sources	199,961	135,725	-	-	335,686
Other Sources	142,592	-	-	-	142,592
Total Revenues	\$ 7,245,909	\$ 312,973	\$ 270,127	\$ 20,132	\$ 7,849,141
<u>Expenditures:</u>					
Current:					
Regular Instruction	\$ 2,912,701	\$ -	\$ -	\$ -	\$ 2,912,701
Special Education	626,081	-	-	-	626,081
Vocational Education	376,631	-	-	-	376,631
Federal Programs	265,735	-	-	-	265,735
District Wide Services	311,378	-	-	-	311,378
Administration	869,210	-	-	-	869,210
School Food Services	-	361,099	-	-	361,099
Operations and Maintenance	621,380	-	-	-	621,380
Transportation	412,832	-	-	-	412,832
Co-Curricular Activities	233,047	-	-	-	233,047
Other Activities	123,448	-	-	-	123,448
Capital Outlay	673,790	-	568,445	-	1,242,235
Debt Service:					
Principal	20,215	-	-	39,832	60,047
Interest	-	-	-	6,338	6,338
Fiscal charges	-	-	-	650	650
Total Expenditures	\$ 7,446,448	\$ 361,099	\$ 568,445	\$ 46,820	\$ 8,422,812
Excess (Deficiency) of Revenues Over Expenditures	\$ (200,539)	\$ (48,126)	\$ (298,318)	\$ (26,688)	\$ (573,671)
<u>Other Financing Sources (Uses):</u>					
Transfers In	\$ 32,962	\$ 75,000	\$ -	\$ 21,000	\$ 128,962
Lease Proceeds	94,072	-	-	-	94,072
Transfers Out	(107,962)	-	(21,000)	-	(128,962)
Total Other Financing Sources and Uses	\$ 19,072	\$ 75,000	\$ (21,000)	\$ 21,000	\$ 94,072
Net Change in Fund Balances	\$ (181,467)	\$ 26,874	\$ (319,318)	\$ (5,688)	\$ (479,599)
Fund Balance - July 1	\$ 2,675,262	\$ 45,401	\$ 435,992	\$ 51,097	\$ 3,207,752
Fund Balance - June 30	\$ 2,493,795	\$ 72,275	\$ 116,674	\$ 45,409	\$ 2,728,153

The notes to the financial statements are an integral part of this statement.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds \$ (479,599)

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 capital outlay and capital contribution exceeded depreciation expense.

Current Year Capital Outlay	\$ 1,437,551	
Current Year Depreciation Expense	<u>(248,526)</u>	1,189,025

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is amount of the repayment of debt.

General Obligation Bonds Payments	\$ 20,000	
Capital Lease Proceeds	(94,072)	
Capital Lease Payments	20,215	
State School Construction Loan Payments	<u>19,832</u>	(34,025)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Decrease in Retainage Payable	\$ 2,430	
Decrease in Compensated Absences Payable	5,075	
Increase in Interest Payable	<u>(115)</u>	7,390

The Net Pension Liability, and related Deferred Outflows of Resources and Deferred Inflows of Resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Increase Net Pension Liability	\$ (1,134,280)	
Increase in Deferred Outflows of Resources	780,294	
Decrease in Deferred Inflows of Resources	<u>77,109</u>	(276,877)

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the increase in taxes receivable.

(11,124)

Change in Net Position of Governmental Activities

\$ 394,790

The notes to the financial statements are an integral part of this statement.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities
<u>ASSETS:</u>	
Cash and Investments	\$ 3,463,775
Intergovernmental Receivable	186,848
Due From County	209,335
Taxes Receivable	80,941
Capital Assets (not being depreciated)	
Land	46,882
Construction in Progress	88,857
Capital Assets (net of accumulated depreciation):	
Buildings & Building Improvements	5,920,730
Vehicles	419,331
Equipment	127,587
Total Capital Assets	\$ 6,603,387
Total Assets	\$ 10,544,286
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Difference between Expected & Actual Experience	\$ 1,284,493
Total Assets & Deferred Outflows of Resources	\$ 11,828,779
<u>LIABILITIES:</u>	
Accounts Payable	\$ 52,959
Salaries Payable	555,051
Benefits Payable	44,196
Interest Payable	528
Retainages Payable	2,430
Long-Term Liabilities:	
Due Within One Year:	
General Obligation Bonds Payable	20,000
State School Construction Loan	19,832
Compensated Absences Payable	18,799
Due After One Year:	
General Obligation Bonds Payable	20,000
State School Construction Loan	109,357
Compensated Absences Payable	43,863
Net Pension Liability	7,327,283
Total Liabilities	\$ 8,214,298
<u>DEFERRED INFLOWS OF RESOURCES:</u>	
Change in Projected and Actual Investment Earnings	\$ 435,697
Total Liabilities and Deferred Inflows of Resources	\$ 8,649,995
<u>NET POSITION:</u>	
Net Investment in Capital Assets	\$ 6,434,198
Restricted for:	
Debt Service	52,266
Capital Projects	451,990
Special Purpose	45,401
Unrestricted	(3,805,071)
Total Net Position	\$ 3,178,784

The notes to the financial statements are an integral part of this statement.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Contributions	
<u>Governmental Activities:</u>					
Regular Instruction	\$ 3,029,785	\$ -	\$ -	\$ -	\$ (3,029,785)
Special Education	661,651	-	185,634	-	(476,017)
Vocational Education	370,551	-	-	-	(370,551)
Federal Programs	185,584	-	2,388	-	(183,196)
District Wide Services	281,468	-	-	-	(281,468)
Administration	891,293	170,220	118,936	19,550	(582,587)
School Food Services	356,138	-	-	-	(356,138)
Operations and Maintenance	589,575	-	-	-	(589,575)
Transportation	384,128	-	158,717	-	(225,411)
Co-Curricular Activities	260,981	-	-	-	(260,981)
Other Activities	79,931	-	-	-	(79,931)
Interest on Long-Term Debt	7,527	-	-	-	(7,527)
Fiscal Charges	650	-	-	-	(650)
Total Governmental Activities	\$ 7,099,262	\$ 170,220	\$ 465,675	\$ 19,550	\$ (6,443,817)
<u>General Revenues:</u>					
Property taxes; levied for general purposes					\$ 1,248,352
Property taxes; levied for debt service					32,684
Property taxes; levied for building purposes					293,769
State Grants/Aid - Unrestricted					5,509,638
Interest Income					9,641
Rental Income					3,526
Donations					22,368
Miscellaneous Income					152,063
Total General Revenues					\$ 7,272,041
Changes in Net Position					\$ 828,224
Net Position - July 1					\$ 2,350,560
Net Position - June 30					\$ 3,178,784

The notes to the financial statements are an integral part of this statement.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2016

	General Fund	Food Service Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<u>ASSETS</u>					
Cash and Investments	\$ 2,929,116	\$ 45,401	\$ 442,568	\$ 46,690	\$ 3,463,775
Intergovernmental Receivable	186,848	-	-	-	186,848
Due from County Treasurer	165,334	-	39,594	4,407	209,335
Taxes Receivable	63,246	-	15,998	1,697	80,941
Total Assets	<u>\$ 3,344,544</u>	<u>\$ 45,401</u>	<u>\$ 498,160</u>	<u>\$ 52,794</u>	<u>\$ 3,940,899</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>					
<u>Liabilities:</u>					
Accounts Payable	\$ 6,789	\$ -	\$ 46,170	\$ -	\$ 52,959
Salaries Payable	555,051	-	-	-	555,051
Benefits Payable	44,196	-	-	-	44,196
Total Liabilities	<u>\$ 606,036</u>	<u>\$ -</u>	<u>\$ 46,170</u>	<u>\$ -</u>	<u>\$ 652,206</u>
<u>Deferred Inflows of Resources:</u>					
Uncollected Taxes Receivable	\$ 63,246	\$ -	\$ 15,998	\$ 1,697	\$ 80,941
Total Liabilities and Deferred Inflows of Resources	<u>\$ 669,282</u>	<u>\$ -</u>	<u>\$ 62,168</u>	<u>\$ 1,697</u>	<u>\$ 733,147</u>
<u>Restricted for:</u>					
Debt Service	\$ -	\$ -	\$ -	\$ 51,097	\$ 51,097
Capital Projects	-	-	435,992	-	435,992
<u>Committed to:</u>					
Food Service	-	45,401	-	-	45,401
<u>Unassigned:</u>	2,675,262	-	-	-	2,675,262
Total Fund Balances	<u>\$ 2,675,262</u>	<u>\$ 45,401</u>	<u>\$ 435,992</u>	<u>\$ 51,097</u>	<u>\$ 3,207,752</u>
Total Liabilities and Fund Balances	<u>\$ 3,344,544</u>	<u>\$ 45,401</u>	<u>\$ 498,160</u>	<u>\$ 52,794</u>	<u>\$ 3,940,899</u>

The notes to the financial statements are an integral part of this statement.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2016

Total <i>Fund Balances</i> for Governmental Funds		\$ 3,207,752
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.

Cost of Capital Assets	\$ 10,201,897	
Less Accumulated Depreciation	<u>(3,598,510)</u>	6,603,387

Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenues in the funds.		80,941
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Pensions	\$ 1,284,493	
Deferred Inflows Related to Pensions	<u>(435,697)</u>	848,796

Long-term liabilities applicable to the School 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, 2016 are:

General Obligation Bonds Payable	\$ (40,000)	
State School Construction Loan Payable	(129,189)	
Interest Payable	(528)	
Retainage Payable	(2,430)	
Compensated Absences Payable	(62,662)	
Net Pension Liability	<u>(7,327,283)</u>	<u>(7,562,092)</u>

Total Net Position - Governmental Activities		<u>\$ 3,178,784</u>
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The notes to the financial statements are an integral part of this statement.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	General Fund	Food Service Fund	Capital Projects Funds	Debt Service Fund	Total Governmental Funds
<u>Revenues:</u>					
Local Sources	\$ 1,314,039	\$ 170,220	\$ 291,961	\$ 32,405	\$ 1,808,625
State Sources	5,670,742	12,691	-	-	5,683,433
Federal Sources	185,634	106,245	-	-	291,879
Other Sources	112,314	-	-	-	112,314
Total Revenues	\$ 7,282,729	\$ 289,156	\$ 291,961	\$ 32,405	\$ 7,896,251
<u>Expenditures:</u>					
Current:					
Regular Instruction	\$ 2,918,213	\$ -	\$ -	\$ -	\$ 2,918,213
Special Education	661,946	-	-	-	661,946
Vocational Education	370,654	-	-	-	370,654
Federal Programs	185,642	-	-	-	185,642
District Wide Services	282,084	-	-	-	282,084
Administration	880,147	-	-	-	880,147
School Food Services	-	339,393	-	-	339,393
Operations and Maintenance	583,798	-	-	-	583,798
Transportation	399,329	-	-	-	399,329
Co-Curricular Activities	229,851	-	-	-	229,851
Other Activities	79,961	-	-	-	79,961
Capital Outlay	48,807	-	46,371	-	95,178
Debt Service:					
Principal	-	-	-	34,203	34,203
Interest	-	-	-	7,755	7,755
Fiscal charges	-	-	-	650	650
Total Expenditures	\$ 6,640,432	\$ 339,393	\$ 46,371	\$ 42,608	\$ 7,068,804
Excess (Deficiency) of Revenues Over Expenditures	\$ 642,297	\$ (50,237)	\$ 245,590	\$ (10,203)	\$ 827,447
<u>Other Financing Sources (Uses):</u>					
Transfers In	\$ 23,703	\$ 75,000	\$ -	\$ 20,000	\$ 118,703
Transfers Out	(98,703)	-	(20,000)	-	(118,703)
Total Other Financing Sources and Uses	\$ (75,000)	\$ 75,000	\$ (20,000)	\$ 20,000	\$ -
Net Change in Fund Balances	\$ 567,297	\$ 24,763	\$ 225,590	\$ 9,797	\$ 827,447
Fund Balance - July 1	\$ 2,107,965	\$ 20,638	\$ 210,402	\$ 41,300	\$ 2,380,305
Fund Balance - June 30	\$ 2,675,262	\$ 45,401	\$ 435,992	\$ 51,097	\$ 3,207,752

The notes to the financial statements are an integral part of this statement.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds \$ 827,447

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 capital outlay and capital contribution exceeded depreciation expense.

Current Year Capital Outlay	\$ 180,437	
Capital Contribution	19,550	
Current Year Depreciation Expense	<u>(241,060)</u>	(41,073)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is amount of the repayment of debt.

General Obligation Bonds Payments	\$ 15,000	
State School Construction Loan Payments	<u>19,202</u>	34,202

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Increase in Retainage Payable	\$ (2,430)	
Increase in Compensated Absences Payable	(8,708)	
Decrease in Interest Payable	<u>228</u>	(10,910)

The Net Pension Liability, and related Deferred Outflows of Resources and Deferred Inflows of Resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Increase Net Pension Liability	\$ (1,071,828)	
Increase in Deferred Outflows of Resources	767,499	
Decrease in Deferred Inflows of Resources	<u>311,202</u>	6,873

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the increase in taxes receivable.

11,685

Change in Net Position of Governmental Activities \$ 828,224

The notes to the financial statements are an integral part of this statement.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2017 and 2016

	2017		2016	
	Agency Fund	Private Purpose Trust Funds	Agency Fund	Private Purpose Trust Funds
<u>Assets:</u>				
Cash	\$ 109,860	\$ 4,021	\$ 108,382	\$ 47,366
Investments	-	24,399	-	26,050
Total Assets	<u>\$ 109,860</u>	<u>\$ 28,420</u>	<u>\$ 108,382</u>	<u>\$ 73,416</u>
<u>Liabilities:</u>				
Due to Student Activities Groups	\$ 109,860	-	\$ 108,382	-
<u>Nonexpendable Net Position:</u>				
Held in Trust for Others	<u>\$ -</u>	<u>\$ 28,420</u>	<u>\$ -</u>	<u>\$ 73,416</u>

The notes to the financial statements are an integral part of this statement.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
	<u>Private Purpose Trust Funds</u>	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS:</u>		
Interest	\$ 6,591	\$ 2,669
Unrealized Gain on Investments	803	1,164
Total Additions	<u>\$ 7,394</u>	<u>\$ 3,833</u>
<u>DEDUCTIONS:</u>		
Scholarships	<u>\$ 52,390</u>	<u>\$ 7,250</u>
Net Position - July 1	<u>\$ 73,416</u>	<u>\$ 76,833</u>
Net Position - June 30	<u><u>\$ 28,420</u></u>	<u><u>\$ 73,416</u></u>

The notes to the financial statements are an integral part of this statement.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Lisbon Public School District No. 19, Lisbon, North Dakota, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The accompanying financial statements present the activities of Lisbon Public School District No. 19. The school district has considered all potential component units for which the school district is financially accountable and other organizations for which the nature and significance of their relationships with the school district such that exclusion would cause the school district's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of Lisbon Public School District No. 19 to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on Lisbon Public School District No. 19.

Based on these criteria, there are no component units to be included within the Lisbon Public School District No. 19 reporting entity.

B. Basis of Presentation, Basis of Accounting

Government-wide statements: The statement of net position and the statement of activities display information about the primary government (Lisbon Public School District No. 19). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, fees and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and unrestricted state grants operating contributions, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the school district's funds including its fiduciary funds. Separate statements for each fund category—*governmental* and *fiduciary* are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The School District reports the following major governmental funds:

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

Food Service Fund. This fund is used to account for financial activity related to School District's lunch and breakfast programs. Primary revenue source in this fund is committed federal and state reimbursements and charges for services from food sales.

Capital Projects Fund. This fund is used to account for financial resources to be used for acquisition or construction of major capital facilities.

Debt Service Fund. This fund is used to account for financial resources to be used for payment of long-term debt principal, interest and related costs.

The School District reports the following fiduciary fund types:

Agency Fund. This fund accounts for assets held by the School District in a custodial capacity as an agent on behalf of others. The School District's agency funds are used to account for various deposits of the student activity funds.

Private Purpose Trust Funds. These funds account for assets held by the School District received from private individuals used for scholarships and the school music and arts program.

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

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

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

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

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

D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts, as well as certificates of deposit with a maturity of 3 months or less. Deposits must either be deposited with the Bank of North Dakota or in other financial institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the uninsured balance.

Investments consist of certificates of deposits stated at cost and U.S. government-backed securities stated at fair market value with maturities in excess of 3 months.

E. Capital Assets

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

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

Assets	Years
Permanent Buildings	50 Years
Temporary / Wood Structure Buildings	10 Years
Playground Equipment	20 Years
School Busses / Vehicles	15 Years
Servers / Computer Equipment	5 Years
Copiers	6 Years
Other Equipment	10 Years

F. Compensated Absences

Vested or accumulated sick leave for qualified employees is reported in the government-wide statement of net position. Upon termination of employment with the school district, compensation for unused sick leave earned and available is administered as follows:

Sick leave benefits are earned at the rate of 10 days per year for teachers. Unused sick leave may accumulate to a maximum of 120 days. Employees accumulating sick leave in excess of 120 days as of the end of the school year are reimbursed at a rate equivalent to \$40 per day for all days exceeding 120 days. Employees may carry over a maximum of 120 days of sick leave at each year-end. Upon retirement or resignation, the school district will pay \$30 per day for accumulated sick days for all teachers in good standing with 15 or more years of service to the Lisbon School District.

Sick leave for support staff is accrued at the rate of 10 days per year cumulative to 40 days. The Superintendent, Business Manager, custodians, and office staff accrue sick leave at the rate of 10 days per year cumulative to 120 days. Upon retirement or resignation, the school district will pay \$30 per day for accumulated sick days for all support staff and administrators in good standing with 25 or more years of service to the Lisbon School District.

G. 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. Bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the straight-line method. If amounts are not material, they are recognized in the current period.

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

H. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, 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's and NDPERS' fiduciary net position have been determined on the same basis as they are reported by TFFR and NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit term. Investments are reported at fair value.

I. Fund Balances & Net Position

Fund Balance

GASB Statement No. 54 established new fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds.

Fund Balance Spending Policy

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

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

CLASSIFICATION	DEFINITION	EXAMPLES
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables, endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.

TABLE CONTINUED ON NEXT PAGE....

CONTINUED....

CLASSIFICATION	DEFINITION	EXAMPLES
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the School Board. Formal action is required to be taken to establish, modify or rescind a fund balance commitment.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the business manager.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance; (b) A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes;	Available for any remaining general fund expenditure.

Lisbon Public School District did not have any non-spendable balances reported in the balance sheet at June 30, 2017 or June 30, 2016.

Restricted Fund Balances – consist of the following items at June 30, 2017 and 2016

Building Fund (major fund – restricted by enabling legislation, tax levy & bond indenture:

- (a) Fund used for construction of building additions and renovation projects – restricted by specified tax levy.

Debt Service Funds (major fund - restricted by enabling legislation - levy)

- (a) Bond payments restricted by bond indenture and specified tax levies reported in the debt service funds – consists of general obligation bonds 1998 Series A, 1998 Series B, and state school construction loans payable.

Committed Fund Balance – consists of the following at June 30, 2017 and 2016:

Food Service Fund (major fund – committed by board action):

- a) Fund used only for Food Service purposes. The governing board committed funds to remain in this fund and used for food service purposes.

Unassigned Fund Balance – consists of the following item at June 30, 2017 and 2016:

General Fund (Major Fund) – Available for any legal purpose used to finance operating expenditures:

- (a) The unassigned fund balance is available to fund all other operating expenditures not already classified in other areas in accordance with governmental accounting standards as promulgated by the Governmental Accounting Standards Board.

Net Position

The Lisbon Public School District implemented the provisions of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position during the years ended June 30, 2017 and June 30, 2016.

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

Net investment in capital assets is reported for capital assets less accumulated depreciation and any related debt used to construct them. The resources needed to repay this related debt must be provided from other sources, since capital assets are not used to liquidate these liabilities. These assets are not available for future spending.

Restrictions of net position, shown in the Statement of Net Position, are due to restricted tax levies and bond indenture capital construction requirements for capital projects and special purposes.

Unrestricted net position is primarily unrestricted amounts related to the general fund and any negative fund balances. The unrestricted net position is available to meet the district's ongoing obligations.

J. Interfund Transactions

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

All other interfund transactions, except reimbursements, are reported as transfers.

In the government-wide financial statements, interfund transactions have been eliminated.

NOTE 2: DEPOSITS AND INVESTMENTS

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

Deposits must either be deposited with the Bank of North Dakota or in other financial institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities 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 body and bonds issued by any other state of the United States or such other securities approved by the banking board.

At year ended June 30, 2017, the school district's carrying amount of deposits was \$2,745,610 and the bank balances were \$2,366,545. Of the bank balances, \$286,754 was covered by Federal Depository Insurance. The remaining bank balances totaling were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended June 30, 2016, the school district's carrying amount of deposits was \$3,084,609 and the bank balances were \$3,037,847. Of the bank balances, \$288,856 was covered by Federal Depository. The remaining bank balances totaling were collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

The school district may invest idle funds as authorized in North Dakota Statutes, as follows:

- (a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.
- (b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- (c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- (d) Obligations of the state.

The school district also had a stock market investment with Bank of New York Shareholder Services for RN Spolum Scholarship fund. As of June 30, 2017 and 2016, the market share of this investment was \$22,645 and \$21,842 respectively.

Interest Rate Risk

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

Concentration of Credit Risk

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

NOTE 3: INTERGOVERNMENTAL RECEIVABLE

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

NOTE 4: DUE FROM COUNTY

Due from county represents the amount of taxes collected prior to year-end by Ransom County that remain on hand at the county that are distributed to the school district shortly after June 30, 2017 and 2016.

NOTE 5: TAXES RECEIVABLE

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

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

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

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

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Notes to the Financial Statements – Continued

NOTE 6: CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended June 30, 2017 and 2016:

Governmental Activities:	Balance 7-1-16	Increases	Decreases	Balance 6-30-17
<i>Capital assets not being depreciated:</i>				
Land	\$ 46,882	\$ -	\$ -	\$ 46,882
Construction In Progress	88,857	1,164,854	-	1,253,711
Total Capital Assets, Not Being Depreciated	\$ 135,739	\$ 1,164,854	\$ -	\$ 1,300,593
<i>Capital assets being depreciated:</i>				
Buildings and Building Improvements	\$ 9,003,495	\$ 106,935	\$ -	\$ 9,110,430
Vehicles	759,272	40,000	(50,768)	748,504
Equipment	303,391	125,762	-	429,153
Total Capital Assets, Being Depreciated	\$ 10,066,158	\$ 272,697	\$ (50,768)	\$ 10,288,087
<i>Less Accumulated Depreciation for:</i>				
Buildings and Building Improvements	\$ 3,082,765	\$ 171,696	\$ -	\$ 3,254,461
Vehicles	339,941	48,068	(50,768)	337,241
Equipment	175,804	28,762	-	204,566
Total Accumulated Depreciation	\$ 3,598,510	\$ 248,526	\$ (50,768)	\$ 3,796,268
Total Capital Assets Being Depreciated, Net	\$ 6,467,648	\$ 24,171	\$ -	\$ 6,491,819
Governmental Activities - Capital Assets, Net	\$ 6,603,387	\$ 1,189,025	\$ -	\$ 7,792,412

Governmental Activities:	Balance 7-1-15 (Adj)	Increases	Decreases	Balance 6-30-16
<i>Capital assets not being depreciated:</i>				
Land	\$ 46,882	\$ -	\$ -	\$ 46,882
Construction In Progress	-	88,857	-	88,857
Total Capital Assets, Not Being Depreciated	\$ 46,882	\$ 88,857	\$ -	\$ 135,739
<i>Capital assets being depreciated:</i>				
Buildings and Building Improvements	\$ 9,003,495	\$ -	\$ -	\$ 9,003,495
Vehicles	672,679	86,593	-	759,272
Equipment	278,854	24,537	-	303,391
Total Capital Assets, Being Depreciated	\$ 9,955,028	\$ 111,130	\$ -	\$ 10,066,158
<i>Less Accumulated Depreciation for:</i>				
Buildings and Building Improvements	\$ 2,913,224	\$ 169,541	\$ -	\$ 3,082,765
Vehicles	289,965	49,976	-	339,941
Equipment	154,259	21,545	-	175,804
Total Accumulated Depreciation	\$ 3,357,448	\$ 241,062	\$ -	\$ 3,598,510
Total Capital Assets Being Depreciated, Net	\$ 6,597,580	\$ (129,932)	\$ -	\$ 6,467,648
Governmental Activities - Capital Assets, Net	\$ 6,644,462	\$ (41,075)	\$ -	\$ 6,603,387

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

Depreciation by Function:	2017	2016
Administration	\$ 9,677	\$ 9,278
Instruction	112,736	104,654
Co-Curricular Activities	42,683	40,017
Food Service	14,657	16,745
Maintenance	19,741	16,751
Transportation	49,032	53,617
Total	\$ 248,526	\$ 241,062

NOTE 7: DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources in the government-wide financial statements consist of amounts related to pensions representing the difference in expected and actual experience.

NOTE 8: ACCOUNTS PAYABLE

Accounts payable consists of amounts owed for goods and services received prior to or owed to taxing authorities at June 30 and chargeable to the appropriations for the year then ended, but paid subsequent to that date.

NOTE 9: SALARIES AND BENEFITS PAYABLE

Salaries and contracts payable consists of salaries earned by employees and teachers but not paid until after year-end. It also consists of benefits owed to federal, state, and private agencies for amounts withheld from teacher's salaries as of June 30, 2017 and June 30, 2016.

NOTE 10: INTEREST PAYABLE

Interest payable consists of the portion of interest accrued on long-term debt outstanding at June 30, 2017 and June 30, 2016.

NOTE 11: RETAINAGES PAYABLE

Retainages payable consists of a liability account reflecting amounts owing to contractors on open contracts at June 30, 2016.

NOTE 12: LONG-TERM LIABILITIES

Changes in Long-Term Liabilities - During the years ended June 30, 2017 and 2016, the following changes occurred in liabilities reported in long-term liabilities:

Governmental Activities	Balance 7-1-16	Increases	Decreases	Balance 6-30-17	Due Within One Year
G.O. Bonds Payable	\$ 40,000	\$ -	\$ 20,000	\$ 20,000	\$ 20,000
State School Construction	129,189	-	19,832	109,357	20,483
Capital Lease Payable	-	94,072	20,215	73,857	17,464
Compensated Absences Payable	62,662	-	5,075	57,587	17,276
Net Pension Liability	7,327,283	1,134,280	-	8,461,563	-
TOTAL	\$ 7,559,134	\$ 1,228,352	\$ 65,122	\$ 8,722,364	\$ 75,223

Governmental Activities	Balance 7-1-15	Increases	Decreases	Balance 6-30-16	Due Within One Year
G.O. Bonds Payable	\$ 55,000	\$ -	\$ 15,000	\$ 40,000	\$ 20,000
State School Construction	148,391	-	19,202	129,189	19,832
Compensated Absences Payable	53,954	8,708	-	62,662	18,799
Net Pension Liability	6,255,455	1,071,828	-	7,327,283	-
TOTAL	\$ 6,512,800	\$ 1,080,536	\$ 34,202	\$ 7,559,134	\$ 58,631

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

Outstanding debt (excluding net pension liability and compensated absences) at June 30, 2017 consists of the following individual issues:

State School Construction Loans Payable

\$349,000 State School Construction Loan with annual installments of \$24,070, through June 2022; interest at 3.28% \$ 109,357

Bonds Payable

\$250,000 School Building Bonds series 1998A, due in one annual installment of \$20,000 through May 2018; interest at 5.25% 20,000

Capital Lease Payable

\$94,072 lease for a K-12, 24 Learner SmartLab, due in annual installments of \$20,215 through May 2021; interest at 3.725% 73,857

Total Debt Payable \$ 203,214

Debt service requirements (excluding net pension liability and compensated absences) on long-term debt at June 30, 2017 are as follows:

GOVERNMENTAL ACTIVITIES						
Year Ending June 30	G.O. Bonds		Capital Lease		State School Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 20,000	\$ 1,050	\$ 17,464	\$ 2,751	\$ 20,483	\$ 3,587
2019	-	-	18,115	2,101	21,155	2,915
2020	-	-	18,789	1,426	21,848	2,221
2021	-	-	19,489	726	22,565	1,505
2022	-	-	-	-	23,306	764
TOTALS	\$ 20,000	\$ 1,050	\$ 73,857	\$ 7,004	\$ 109,357	\$ 10,992

NOTE 13: PENSION PLANS

North Dakota Teachers' Fund for Retirement TFFR

General Information about the TFFR Pension Plan

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-grandfathers members are those with service credit on file as of July 1, 2008. Tier 2 members are those newly employed and returning refunded members on or after July 1, 2008.

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

At June 30, 2017 and 2016, the Lisbon Public School District reported a liability of \$7,849,272 and \$6,866,384, respectively, for its proportionate share of net pension liability. The net pension liability was measured as of July 1, 2016 for FY2017 and July 1, 2015 for FY2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The district’s proportion of the net pension liability was based on the district’s share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2016 and 2015, the district’s proportion was 0.535765 percent and .525011 percent, respectively, an increase of .010754 percent.

For the year ended June 30, 2017 and 2016, the district recognized pension expense of \$700,680 and \$406,542 respectively. At June 30, 2017 and 2016, the district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2017	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 37,072	\$ 37,164
Changes of Assumptions	655,641	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	652,487	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	107,589	244,772
District Contributions Subsequent to the Measurement Date	413,371	-
Total	\$ 1,866,160	\$ 281,936

June 30, 2016	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 44,995	\$ -
Changes of Assumptions	770,977	-
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	-	77,428
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	-	293,727
District Contributions Subsequent to the Measurement Date	409,019	-
Total	\$ 1,224,991	\$ 371,155

\$413,371 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 ended June 30, 2018.

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

2018	\$	211,116
2019		211,116
2020		370,553
2021		220,729
2022		95,605
Thereafter		11,735

Actuarial Assumptions

The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary Increases	4.25% to 14.50%, varying by service, including inflation and productivity
Investment Rate of Return	7.75%, net of investment expenses
Cost-of-Living Adjustments	None

For active and inactive members, mortality rates were based on the RP-2014 Employee Mortality Table, projected generationally using scale MP-2014. For healthy retirees, mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table set back one year, multiplied by 50% for ages under 75 and grading up to 100% by age 80, projected generationally using scale MP-2014. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table set forward four years.

The actuarial assumptions used were based on the results of an actuarial experience study dated April 30, 2015. They are the same as the assumptions used in the July 1, 2016 funding actuarial valuation for TFFR.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and 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
Global Equities	58%	7.30%
Global Fixed Income	23%	.88%
Global Real Assets	18%	5.32%
Cash Equivalents	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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, 2016, 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, 2016. 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, 2016.

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

The following presents the district's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the district's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
June 30, 2017			
District's Proportionate Share of the Net Pension Liability	\$ 10,181,095	\$ 7,849,272	\$ 5,907,083

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
June 30, 2016			
District's Proportionate Share of the Net Pension Liability	\$ 9,074,251	\$ 6,866,384	\$ 5,025,069

Pension Plan Fiduciary Net Position

Detailed information is located in the North Dakota Retirement and Investments Office's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016 and 2015. Additional financial and actuarial information is available on their website, <http://www.nd.gov/rio/SIB/Publications/CAFR/default.htm>, or may be obtained by writing to RIO at ND Retirement and Investment Office, 1930 Burnt Boat Drive, PO Box 7100, Bismarck, North Dakota, 58507-7100 or by calling (701) 328-9885.

North Dakota Public Employees Retirement System (Main System)

General Information about the NDPERS Pension Plan

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 seven 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; and one member elected by the retired public employees. Effective July 1, 2015, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently re-employed, 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 covered compensation. Member contribution rates are 7% and employer contributions rates are 7.12% 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, 2017 and 2016, the Lisbon Public School District reported a liability of \$612,291 and \$460,899, respectively, for its proportionate share of net pension liability. The net pension liability was measured as of July 1, 2016 and 2015 respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. 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 July 1, 2016 and 2015, the district's proportion was 0.062825 percent and 0.067781 percent respectively, a decrease of .004956 percent.

For the year ended June 30, 2017 and 2016, the district recognized pension expense of \$72,443 and \$41,337 respectively. At June 30, 2017 and 2016, the district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2017	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 9,198	\$ 5,669
Changes of Assumptions	56,445	30,419
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	85,424	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	40,564
District Contributions Subsequent to the Measurement Date	47,560	-
Total	\$ 198,627	\$ 76,652

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Notes to the Financial Statements – Continued

June 30, 2016	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 13,371	\$ -
Changes of Assumptions	-	41,064
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	9,730
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	809	13,748
District Contributions Subsequent to the Measurement Date	45,322	-
Total	\$ 59,502	\$ 64,542

\$47,560 was 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 ended June 30, 2018.

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

2018	\$ 74,415
2019	11,897
2020	11,897
2021	30,532
2022	16,460
Thereafter	7,587

Actuarial Assumptions

The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary Increases	4.50% per annum
Investment Rate of Return	8.00%, net of investment expenses
Cost-of-Living Adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table with ages set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates are based on the RP-2000 Disabled Retiree Mortality Table set back one year for males (not setback for females) multiplied by 125%.

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2016 funding actuarial valuation for NDPERS.

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.52%
International Fixed Income	5%	.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2016 and 2015. 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, 2016, 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, 2016. 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, 2016.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount rate.

The following presents the district’s proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the district’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate.

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
June 30, 2017			
District’s Proportionate Share of the Net Pension Liability	\$ 868,523	\$ 612,291	\$ 396,402

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
June 30, 2016			
District’s Proportionate Share of the Net Pension Liability	\$ 706,766	\$ 460,899	\$ 259,736

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in a separately issued NDPERS financial report. It is located in the North Dakota Public Employees Retirement System Comprehensive Annual Financial report for the fiscal year ended June 30, 2016. The supporting actuarial information is included in the June 30, 2016, GASB Statements No. 67 and 68 Accounting and Financial Reporting for Pensions actuarial valuation for each retirement plan. Additional financial and actuarial information is available on their website, www.nd.gov/ndpers, or may be obtained by contacting the agency at: North Dakota Public Employees Retirement System, 400 E Broadway Ave Suite 505, P.O. Box 1657, Bismarck, ND, 58502-1657 or by calling (701) 328-3900.

NOTE 14: DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the government wide financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the accrual basis of accounting, such amounts include the difference between projected and actual investment earnings for pensions.

Deferred inflows of resources in the fund financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available and include taxes receivable.

NOTE 15: TRANSFERS

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements of the governmental activities for the years ended June 30, 2017 and 2016:

FY2017		
	Transfers In	Transfers Out
General Fund	\$ 32,962	\$ 107,962
Food Service Fund	75,000	-
<u>Capital Project Fund:</u>		
Building Fund	-	21,000
<u>Debt Service Fund:</u>		
S&I 1998A GO Bonds	21,000	-
TOTALS	\$ 128,962	\$ 128,962

FY2016		
	Transfers In	Transfers Out
General Fund	\$ 23,703	\$ 98,703
Food Service Fund	75,000	-
<u>Capital Project Fund:</u>		
Building Fund	-	20,000
<u>Debt Service Fund:</u>		
S&I 1998A GO Bonds	20,000	-
TOTALS	\$ 118,703	\$ 118,703

NOTE 16: RISK MANAGEMENT

The Lisbon Public School District No. 19 is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Notes to the Financial Statements – Continued

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. Lisbon Public School District pays an annual premium to NDRIF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability and automobile and \$101,046, for mobile equipment and portable property.

The Lisbon Public School District No. 19 participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The School District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a 3rd party carrier for losses on excess of two million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the School District with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The Lisbon Public School District No. 19 has workers compensation with the North Dakota Workforce Safety and Insurance and purchases commercial insurance for employee health and accident insurance.

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

NOTE 17: COMMITMENTS

The Lisbon Public School District No. 19 had the following commitments for construction contracts as of June 30, 2016.

Project	Contract	Total Completed	Retainage	Remaining Commitment
Duininck Inc.	\$ 613,000	\$ 48,600	\$ 2,430	\$ 566,830

NOTE 18: OPERATING LEASES

The school district has entered into lease agreements as lessee for the rental of copiers. The lease payments made during June 30, 2017 and June 30, 2016 were \$30,600 and \$30,600, respectively. The remaining payments due on the copier operating leases totaling \$99,537 will be paid as follows:

Year Ending June 30	Total Payments
2018	\$ 33,179
2019	33,179
2020	33,179
Total	\$ 99,537

NOTE 19: TAX ABATEMENTS

Lisbon Public Schools and political subdivisions within the county can negotiate property tax abatement agreements with individuals and various commercial entities/businesses. Ransom County and the political subdivisions within have the following types of tax abatement agreements with various individuals and commercial entities at June 30, 2017.

Lisbon Public Schools will state individually the parties whom received a benefit of the reduction in taxes of 20% or greater when compared to the total reduction of taxes for all tax abatement programs.

New and Expanding Business:

Businesses that are primarily industrial, commercial, retail or service are eligible for property tax incentives for new and expanding businesses if they meet state requirements (NDCC 40-57.1-03) and the guidelines stated below. The following criteria are only guidelines.

General criteria — In evaluation applications for property tax exemption, the Ransom County Commission will consider the following factors:

- Economic impact through increased construction activity, equipment purchases, additional product purchases, additional work activity, immediate and projected increases in property values, and impact on future tax collections
- Number of jobs created and employee benefits (types of jobs — professional, managerial, technical, skilled, unskilled with emphasis on full-time positions)
- Diversification of economic base
- Growth potential of company and industry and potential spin-off benefits
- Impact on city/county services: Can the company be accommodated within existing service levels, or will additional capacity be needed? Is the company locating where better use of existing services will take place or further the development plans of the City/County?
- Utilization of local resources: Will the company be an exporter from our region? Will it provide support services to existing companies? Use of raw materials and services developed in the area

Exemption Criteria:

Amount of exemption is per the following schedule: Year 1 — 100%, Year 2 — 100%, Year 3 — 75%, Year 4 — 50%, Year 5 — 25%.

FY2017 Reduction in Taxes – Other Entities:

Total program reduction in taxes – \$7,823

Public Charity Exemption:

Public Charities are eligible for property tax incentives if they meet state requirements (NDCC 57-02-08(8)) and the guidelines stated below. The following criteria are only guidelines.

All buildings belonging to institutions of public charity, including public hospitals and nursing homes licensed pursuant to section 23-16-01 under the control of religious or charitable institutions, used wholly or in part for public charity, together with the land occupied by such institutions not leased or otherwise used with a view to profit. The exemption provided by this subsection includes any dormitory, dwelling, or residential-type structure, together with necessary land on which such structure is located, owned by a religious or charitable organization recognized as tax exempt under section 501(c)(3) of the United States Internal Revenue Code which is occupied by members of said organization who are subject to a religious vow of poverty and devote and donate substantially all of their time to the religious or charitable activities of the owner.

Exemption criteria:

Property exempt if the qualified facility is used wholly or in part for public charity, together with the land occupied by such institutions not leased or otherwise used with a view to profit.

FY2017 Reduction in Taxes – Other Entities:

Total program reduction in taxes – \$24,007

Single Family Residence:

Single Family property owners are eligible for property tax incentives for the specified property that meet state requirements (NDCC 57-02-08(35)).

General Criteria -- Up to one hundred fifty thousand dollars of the true and full value of all new single-family and condominium and townhouse residential property, exclusive of the land on which it is situated, is exempt from taxation for the first two taxable years after the taxable year in which construction is completed and the residence is owned and occupied for the first time if all of the following conditions are met:

- a. The governing body of the city/county, for property within city/county limits, or the governing body of the county, for property outside city/county limits, has approved the exemption of the property by resolution. A resolution adopted under this subsection may be rescinded or amended at any time. The governing body of the city or county may limit or impose conditions upon exemptions under this subsection, including limitations on the time during which an exemption is allowed.
- b. Special assessments and taxes on the property upon which the residence is situated are not delinquent.

FY2017 Reduction in Taxes:

Total Program Reduction in County Only Taxes – \$7,035

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Local Sources	\$ 1,386,564	\$ 1,386,564	\$ 1,225,837	\$ (160,727)
State Sources	5,720,894	5,720,894	5,677,519	(43,375)
Federal Sources	146,553	146,553	199,961	53,408
Other Sources	135,800	135,800	142,592	6,792
Total Revenues	\$ 7,389,811	\$ 7,389,811	\$ 7,245,909	\$ (143,902)
<u>Expenditures:</u>				
Current:				
Regular Instruction	\$ 3,023,143	\$ 3,023,143	\$ 2,912,701	\$ 110,442
Special Education	658,598	658,598	626,081	32,517
Vocational Education	422,555	422,555	376,631	45,924
Federal Programs	146,552	171,663	171,663	-
District Wide Services	370,384	370,384	311,378	59,006
Administration	960,549	960,549	869,210	91,339
Operations and Maintenance	668,660	668,660	621,380	47,280
Transportation	439,797	439,797	412,832	26,965
Co-Curricular Activities	250,760	250,760	233,047	17,713
Other Programs & Services	146,110	146,110	123,448	22,662
Capital Outlay	650,000	650,000	673,790	(23,790)
Debt Service:				
Principal	-	-	20,215	(20,215)
Total Expenditures	\$ 7,737,108	\$ 7,762,219	\$ 7,352,376	\$ 409,843
Excess (Deficiency) of Revenues Over Expenditures	\$ (347,297)	\$ (372,408)	\$ (106,467)	\$ 265,941
<u>Other Financing Sources (Uses):</u>				
Operating Transfers In	\$ 32,962	\$ 32,962	\$ 32,962	\$ -
Operating Transfers Out	(107,962)	(107,962)	(107,962)	-
Total Other Financing Sources and Uses	\$ (75,000)	\$ (75,000)	\$ (75,000)	\$ -
Net Changes in Fund Balances	\$ (422,297)	\$ (447,408)	\$ (181,467)	\$ 265,941
Fund Balance - July 1	\$ 2,675,262	\$ 2,675,262	\$ 2,675,262	\$ -
Fund Balance - June 30	\$ 2,252,965	\$ 2,227,854	\$ 2,493,795	\$ 265,941

The accompanying required supplementary information notes are an integral part of this schedule.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

BUDGETARY COMPARISON SCHEDULE
FOOD SERVICE FUND
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Local Sources	\$ 166,000	\$ 166,000	\$ 173,669	\$ 7,669
State Sources	10,000	10,000	3,579	(6,421)
Federal Sources	72,000	72,000	135,725	63,725
Total Revenues	<u>\$ 248,000</u>	<u>\$ 248,000</u>	<u>\$ 312,973</u>	<u>\$ 64,973</u>
<u>Expenditures:</u>				
Current:				
Food Services	<u>\$ 321,406</u>	<u>\$ 321,406</u>	<u>\$ 361,099</u>	<u>\$ (39,693)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (73,406)</u>	<u>\$ (73,406)</u>	<u>\$ (48,126)</u>	<u>\$ 25,280</u>
<u>Other Financing Sources (Uses):</u>				
Operating Transfers In	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ -</u>
Net Changes in Fund Balances	<u>\$ 1,594</u>	<u>\$ 1,594</u>	<u>\$ 26,874</u>	<u>\$ 25,280</u>
Fund Balance - July 1	<u>\$ 45,401</u>	<u>\$ 45,401</u>	<u>\$ 45,401</u>	<u>\$ -</u>
Fund Balance - June 30	<u>\$ 46,995</u>	<u>\$ 46,995</u>	<u>\$ 72,275</u>	<u>\$ 25,280</u>

The accompanying required supplementary information notes are an integral part of this schedule.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Local Sources	\$ 1,311,969	\$ 1,311,969	\$ 1,314,039	\$ 2,070
State Sources	5,685,537	5,685,537	5,670,742	(14,795)
Federal Sources	168,657	168,657	185,634	16,977
Other Sources	75,550	75,550	112,314	36,764
Total Revenues	\$ 7,241,713	\$ 7,241,713	\$ 7,282,729	\$ 41,016
<u>Expenditures:</u>				
Current:				
Regular Instruction	\$ 2,970,405	\$ 2,970,405	\$ 2,918,213	\$ 52,192
Special Education	680,633	680,633	661,946	18,687
Vocational Education	423,125	423,125	370,654	52,471
Federal Programs	128,700	185,940	185,642	298
District Wide Services	361,572	361,572	282,084	79,488
Administration	961,251	961,251	880,147	81,104
Operations and Maintenance	688,298	688,298	583,798	104,500
Transportation	465,586	465,586	399,329	66,257
Co-Curricular Activities	248,185	248,185	229,851	18,334
Other Programs & Services	79,208	79,208	79,961	(753)
Capital Outlay	150,000	150,000	48,807	101,193
Total Expenditures	\$ 7,156,963	\$ 7,214,203	\$ 6,640,432	\$ 573,771
Excess (Deficiency) of Revenues Over Expenditures	\$ 84,750	\$ 27,510	\$ 642,297	\$ 614,787
<u>Other Financing Sources (Uses):</u>				
Operating Transfers In	\$ 23,703	\$ 23,703	\$ 23,703	\$ -
Operating Transfers Out	(98,703)	(98,703)	(98,703)	-
Total Other Financing Sources and Uses	\$ (75,000)	\$ (75,000)	\$ (75,000)	\$ -
Net Changes in Fund Balances	\$ 9,750	\$ (47,490)	\$ 567,297	\$ 614,787
Fund Balance - July 1	\$ 2,107,965	\$ 2,107,965	\$ 2,107,965	\$ -
Fund Balance - June 30	\$ 2,117,715	\$ 2,060,475	\$ 2,675,262	\$ 614,787

The accompanying required supplementary information notes are an integral part of this schedule.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

BUDGETARY COMPARISON SCHEDULE
FOOD SERVICE FUND
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Local Sources	\$ 154,500	\$ 154,500	\$ 170,220	\$ 15,720
State Sources	2,750	2,750	12,691	9,941
Federal Sources	72,000	72,000	106,245	34,245
Total Revenues	<u>\$ 229,250</u>	<u>\$ 229,250</u>	<u>\$ 289,156</u>	<u>\$ 59,906</u>
<u>Expenditures:</u>				
Current:				
Food Services	<u>\$ 318,906</u>	<u>\$ 318,906</u>	<u>\$ 339,393</u>	<u>\$ (20,487)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (89,656)</u>	<u>\$ (89,656)</u>	<u>\$ (50,237)</u>	<u>\$ 39,419</u>
<u>Other Financing Sources (Uses):</u>				
Operating Transfers In	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ -</u>
Net Changes in Fund Balances	<u>\$ (14,656)</u>	<u>\$ (14,656)</u>	<u>\$ 24,763</u>	<u>\$ 39,419</u>
Fund Balance - July 1	<u>\$ 20,638</u>	<u>\$ 20,638</u>	<u>\$ 20,638</u>	<u>\$ -</u>
Fund Balance - June 30	<u>\$ 5,982</u>	<u>\$ 5,982</u>	<u>\$ 45,401</u>	<u>\$ 39,419</u>

The accompanying required supplementary information notes are an integral part of this schedule.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

PENSION SCHEDULES
June 30, 2017 and 2016

Schedule of Employer's Share of Net Pension Liability
ND Teachers' Fund for Retirement
Last 10 Fiscal Years*

	2017	2016	2015
District's proportion of the net pension liability (asset)	0.535765%	0.525011%	0.554582%
District's proportionate share of the net pension liability (asset)	\$ 7,849,272	\$ 6,866,384	\$ 5,811,036
District's covered-employee payroll	\$ 3,480,999	\$ 3,229,368	\$ 3,216,870
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	225.49%	212.62%	180.64%
Plan fiduciary net position as a percentage of the total pension liability	59.20%	62.10%	66.60%

Schedule of Employer Contributions
ND Teachers' Fund for Retirement
Last 10 Fiscal Years*

	2017	2016	2015
Statutorily required contribution	\$ 443,827	\$ 411,725	\$ 345,810
Contributions in relation to the statutorily required contribution	\$ (443,827)	\$ (411,725)	\$ (345,810)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 3,480,999	\$ 3,229,368	\$ 3,216,870
Contributions as a percentage of covered-employee payroll	12.75%	12.75%	10.75%

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

	2017	2016	2015
District's proportion of the net pension liability (asset)	0.062825%	0.067781%	0.070018%
District's proportionate share of the net pension liability (asset)	\$ 612,291	\$ 460,899	\$ 444,419
District's covered-employee payroll	\$ 633,126	\$ 603,844	\$ 589,818
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	96.71%	71.86%	73.30%
Plan fiduciary net position as a percentage of the total pension liability	70.46%	77.15%	77.70%

LISBON PUBLIC SCHOOL DISTRICT NO. 19Notes to the Required Supplementary Information - Continued

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

	2017	2016	2015
Statutorily required contribution	\$ 45,837	\$ 45,867	\$ 41,995
Contributions in relation to the statutorily required contribution	\$ (45,828)	\$ (46,839)	\$ (41,995)
Contribution deficiency (excess)	\$ 9	\$ (972)	\$ -
District's covered-employee payroll	\$ 633,126	\$ 603,844	\$ 589,818
Contributions as a percentage of covered-employee payroll	7.24%	7.60%	7.12%

*Complete data for this schedule is not available prior to 2015.

LISBON PUBLIC SCHOOL DISTRICT NO. 19
Lisbon, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017 and 2016

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

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

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

- The annual budget must be prepared and school district taxes must be levied on or before the fifteenth day of August of each year.
- The taxes levied must be certified to the county auditor by August twenty-fifth. The governing body of the school district may amend its tax levy and budget on or before the tenth day of October of each year but the certification must be filed with the county auditor within the time limitations as outlined in NDCC section 57-15-31.1.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the business manager at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- All appropriations lapse at year-end.

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The school district amended the budget of various school funds during the 2016-2017 year:

	FY2017 - EXPENDITURES		
	Original Budget	Amendments	Amended Budget
<u>Major Fund:</u>			
General Fund	\$ 7,737,108	\$ 25,111	\$ 7,762,219

	FY2016 - EXPENDITURES		
	Original Budget	Amendments	Amended Budget
<u>Major Fund:</u>			
General Fund	\$ 7,156,963	\$ 57,240	\$ 7,214,203

LISBON PUBLIC SCHOOL DISTRICT NO. 19

Notes to the Required Supplementary Information - Continued

NOTE 3: BUDGET TO ACTUAL RECONCILIATION

The school district entered into a lease for a K-12, 24 Learner SmartLab in 2017. The loan proceeds and corresponding expenditures were reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds, but were not reported on the budgetary comparison schedule in the general fund. The school district didn't budget for these funds and these transactions were not recorded on the district's general ledger. The differences are as follows:

General Fund	Combined Statement	Adjustment	Budget to Actual
Expenditures	\$ 7,446,448	\$ (94,072)	\$ 7,352,376
Lease Proceeds	94,072	(94,072)	-

NOTE 4: PENSIONS - CHANGES OF ASSUMPTIONSNorth Dakota Teacher's Fund for Retirement:

As a result of the April 30, 2015 actuarial experience study, the TFFR Board adopted several assumption changes, including the following:

- 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.

North Dakota Public Employees Retirement System:

Amounts reported in 2017 reflect actuarial assumption changes effective July 1, 2016 based on the results of an actuarial experience study completed in 2016. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

STATE AUDITOR

JOSHUA C. GALLION
Phone (701) 328-2241



Local Government Division:

FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

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

School Board
Lisbon Public School District No. 19
Lisbon, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lisbon Public School District No. 19, Lisbon, North Dakota, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Lisbon Public School District No. 19's basic financial statements, and have issued our report thereon dated February 6, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lisbon Public School District No. 19's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lisbon Public School District No. 19's internal control. Accordingly, we do not express an opinion on the effectiveness of Lisbon Public School District No. 19's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify one deficiency in internal control, described in the accompanying *schedule of findings and questioned costs* that we consider to be a significant deficiency [2017-001].

LISBON PUBLIC SCHOOL DISTRICT NO. 19

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* - Continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lisbon Public School District No. 19's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Lisbon Public School District's Response to Findings

Lisbon Public School District No. 19's response to the finding identified in our audit is described in the accompanying *schedule of findings and questioned costs*. Lisbon Public School District No. 19's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

/s/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
February 6, 2018

LISBON PUBLIC SCHOOL DISTRICT
Lisbon, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Years Ended June 30, 2017 and 2016

Section I – Summary of Auditor’s Results

Financial Statements

Type of Report Issued?			
Governmental Activities		Unmodified	
Major Funds		Unmodified	
Aggregate Remaining Fund Information		Unmodified	
<u>Internal control over financial reporting:</u>			
Material weaknesses identified?	_____ Yes	_____ X	None noted
Significant deficiencies identified not considered to be material weaknesses?	_____ X Yes	_____	None noted
Noncompliance material to financial statements noted?	_____ Yes	_____ X	None noted

Section II - Financial Statement Findings

2017-001 – Lack of Segregation of Duties

Condition:

The Lisbon Public School District has one business manager responsible for the primary accounting functions. A lack of segregation of duties exists as one employee is responsible to collect monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, perform bank reconciliations, and prepare financial statements.

Effect:

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the school district’s financial condition whether due to error of fraud.

Cause:

Due to the client’s size, complexity, organizational structure and the economic realities Lisbon Public School District faces, it is presently not economically feasible to have more than one person responsible for the accounting functions.

Criteria:

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

Recommendation:

Due to the size, complexity and the economic realities of the Lisbon Public School District, it is presently not feasible to obtain proper separation of duties. We recommend that if it becomes feasible to segregate duties in the future, that duties are segregated to the extent possible to reduce the potential risk of loss.

Views of Responsible Officials:

We concur there is inadequate segregation of duties. Given the number of employees and the size of the school district, it would be difficult to further segregate duties.

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or by contacting the
Division of Local Government Audit

Office of the State Auditor
600 East Boulevard Avenue – Department 117
Bismarck, ND 58505-0060

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Lisbon Public School District No. 19

Lisbon, North Dakota

Management's Letter

For the Years Ended
June 30, 2017 and 2016

JOSHUA C. GALLION
STATE AUDITOR

Office of the State Auditor
Division of Local Government

STATE AUDITOR

JOSHUA C. GALLION
Phone (701) 328-2241



Local Government Division:

FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR

STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

School Board
Lisbon Public School District No. 19
Lisbon, North Dakota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lisbon Public School District No. 19, Lisbon, North Dakota, as of and for the years ended June 30, 2017 and 2016, which collectively comprise the Lisbon Public School District No. 19's basic financial statements and have issued our report thereon dated February 6, 2018. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA, GOVERNMENT AUDITING STANDARDS

As stated in our engagement letter dated January 8, 2018, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors or fraud may exist and not be detected by us.

In planning and performing our audit, we considered the Lisbon Public School District No. 19's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether Lisbon Public School District No. 19's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

SIGNIFICANT ACCOUNTING POLICIES/QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Lisbon Public School District No. 19 are described in Note 1 to the financial statements. Application of existing policies was not changed during the years ended June 30, 2017 and June 30, 2016. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements presented by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is useful lives of capital assets.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. Management has corrected all such misstatements. The schedules below titled "Audit Adjustments" lists all misstatements detected as a result of audit procedures were corrected by management.

AUDIT ADJUSTMENTS

	FY2017	FY2016
Due From County	209,335	67,534
Commodities	25,558	30,897
Revenues	234,893	98,431
Expenditures	78,517	133,471
Payables	52,959	102,574
Commodities	25,558	30,897

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter dated February 6, 2018.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a second opinion on certain situations. If a consultation involves application of an accounting principle to the county's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing and completing our audit.

OTHER AUDIT FINDINGS OR ISSUES

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Education and management of the Lisbon Public School District No. 19, Lisbon, North Dakota and should not be used for any other purpose. However, this report is a matter of public record, and its distribution is not limited. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of the Lisbon Public School District No. 19 for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve the Lisbon Public School District No. 19.

/s/
 Joshua C. Gallion
 State Auditor

 Fargo, North Dakota
 February 6, 2018