

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**AUDITED FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**TABLE OF CONTENTS**  
**June 30, 2019**

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	<u>Page(s)</u>
Official Directory	1
<b>INDEPENDENT AUDITOR’S REPORT</b>	2 – 4
Management’s Discussion and Analysis	5 – 10
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Position	11
Statement of Activities	12
Balance Sheet – Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	16
Statement of Net Position – Proprietary Fund	17
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund	18
Statement of Cash Flows – Proprietary Fund	19
Statement of Fiduciary Assets and Liabilities – Agency Fund	20
Notes to Financial Statements	21 – 45
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule – General Fund	46
Pension Schedules	47 – 49
Notes to Required Supplementary Information	50
<b>SUPPLEMENTARY INFORMATION</b>	
Nonmajor Governmental Funds – Combining Balance Sheet	51
Nonmajor Governmental Funds – Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance	52
Schedule of Receipts and Disbursements – Activity Fund	53 – 54
Schedule of Taxable Levies and Schedule of Insurance in Force	55

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Table of Contents – Continued**

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Schedule of Expenditures of Federal Awards	56
Notes to Schedule of Expenditures of Federal Awards	57
<b>INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	58 – 59
<b>INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE</b>	60 – 61
Schedule of Findings and Questioned Costs	62 – 63
Summary Schedule of Prior Audit Findings	64

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**OFFICIAL DIRECTORY**  
**June 30, 2019**

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Dan Wynn	President
Damon DeVillers	Vice-President
Susan Rittenour	Board Member
Ginny Buck	Board Member
Mike Hauschild	Board Member
Jake Kubela	Board Member
Brad Bakken	Board Member
Scott Thiel	Board Member
Art Nelson	Board Member
Rick Jacobson	Superintendent
Laura Dokken	Business Manager



## INDEPENDENT AUDITOR'S REPORT

School Board  
Wahpeton Public School District No. 37  
Wahpeton, North Dakota

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wahpeton Public School District No. 37, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Wahpeton Public School District No. 37's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Wahpeton Public School District No. 37's 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Wahpeton Public School District No. 37, as of June 30, 2019 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***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information – general fund, schedules of employer's proportionate share of net pension liability, schedules of employer contributions, and notes to required supplementary information, as listed on the table of contents, 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 Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wahpeton Public School District No. 37's basic financial statements. The nonmajor governmental funds – balance sheet and nonmajor governmental funds – combining schedule of revenues, expenditures, and changes in fund balance are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and notes to the schedules of expenditures of federal awards are presented for purposes of additional analysis, as required by Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and are not a required part of the basic financial statements.

The nonmajor governmental funds – balance sheet, nonmajor governmental funds – combining schedule of revenues, expenditures, and changes in fund balance, schedule of expenditures of federal awards, and notes to the schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the nonmajor governmental funds – balance sheet, nonmajor governmental funds – combining schedule of revenues, expenditures, and changes in fund balance, schedule of expenditures of federal awards, and notes to the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The official directory, schedule of taxable levies, and schedule of insurance in force has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2020 on our consideration of Wahpeton Public School District No. 37'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 Wahpeton Public School District No. 37's internal control over financial reporting and compliance.



Nadine Julson, LLC  
Wahpeton, ND  
April 16, 2020

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2019**

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The Management's Discussion and Analysis (MD&A) of Wahpeton Public School District No. 37's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2019, with comparative data for the fiscal year ended June 30, 2018. The intent of the MD&A is to look at the District's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

**Financial Highlights**

Key financial highlights for the fiscal year ended June 30, 2019 are as follows:

The School District received 100.87 % of projected revenue and expended 99.97% of projected expenditures, ending the fiscal year with a general fund balance of \$4,187,596. As a result, the School District will begin the 2019-2020 year with a fund balance of 28% of its budget. The carry over for the year was due to the dollars budgeted for the High School and Middle School roof repairs versus the low amount of payment requests that were able to be submitted by the end of the fiscal year for the projects. The remainder of the fund balance is used for cash flow purposes until property taxes and state foundation aid are received during the school year.

**Using this Annual Report**

This annual financial report consists of a series of statements and related footnotes. These statements are organized so that the reader can understand the Wahpeton Public School District No. 37 as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's general fund with all other governmental funds presented in total in one column.

**Reporting on the District as a Whole**

*Statement of Net Position and Statement of Activities*

These statements are summaries of all the funds used by the Wahpeton Public School District No. 37 to provide programs and activities and attempt to answer the question "How did the District do financially during the year ended June 30, 2019?"

The Statement of Net Position presents information on all the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information on how the District's net position changed during the fiscal year. This statement is presented using the accrual basis of accounting, which means that all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes).

These two statements report the District's net position and changes in net position. The change in net position is important because it tells the reader whether, for the District as a whole, the financial position of the District has improved or deteriorated. The causes of this change may be the result of many factors, some financial and some not.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, regular instruction, federal programs, special education, vocational education, administration, food services, operation and maintenance of buildings and grounds, student transportation, and co-curricular activities.

The government-wide financial statements can be found on pages 11-12 of this report.



**Reporting on the District's Most Significant Funds**

*Balance Sheet - Governmental Funds*

The District uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and donations). The fund basic financial statements allow the District to demonstrate its stewardship over the accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the District's major funds. Using the criteria established by GASB Statement No. 34, the District's general fund, capital projects building fund, and debt service fund are considered a "major fund."

The District's other funds, food service, capital projects, debt service, school improvements corporation, and special reserve fund, are used to account for a multitude of financial transactions and is summarized under the heading "Other Governmental Funds".

The basic governmental fund financial statements can be found on pages 13-16 of this report.

In addition, the District has the following fund types:

*Proprietary Fund*

This fund accounts for medical insurance claims provided to other departments on a cost-reimbursement basis. The basic proprietary fund financial statements can be found page 17-19 of this report.

*Fiduciary Funds*

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Wahpeton Public School District No. 37's own programs.

The basic fiduciary fund financial statements can be found on page 20 of this report.

*Notes to the Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-45 of this report.

The combining statements referred to earlier in connection with non-major government funds can be found on pages 51-52 of this report.

**Financial Analysis of the District as a Whole**

Table I provides a summary of the District's net position as of June 30, 2019 and 2018. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Wahpeton Public School District No. 37, net position increased by \$721,410 for the year ending June 30, 2019.

The District's net position at June 30, 2019 is segregated into three separate categories. Net position invested in capital assets (net of related debt) are not available for future spending. Restricted net position represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted net positions are available to meet the District's ongoing obligations.

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Management's Discussion and Analysis - Continued**

**Table I**  
**Net Position**  
**June 30,**

	2019	2018
Assets and Deferred Outflows of Resources		
Current Assets	\$ 15,653,525	\$ 14,952,197
Capital Assets, net of depreciation	36,771,502	37,020,402
Deferred Outflows of Resources	1,920,898	3,229,257
Total Assets and Deferred Outflows of Resources	54,345,925	55,201,856
Liabilities and Deferred Inflows of Resources		
Current Liabilities	1,833,482	1,681,246
Long-term Liabilities	46,446,821	48,652,519
Deferred Inflows of Resources	1,464,553	988,432
Total Liabilities and Deferred Inflows of Resources	49,744,856	51,322,197
NET POSITION		
Net Investment in Capital Assets	4,232,871	3,020,449
Restricted	9,843,016	9,485,987
Unrestricted (Deficit)	(9,474,818)	(8,626,777)
Total Net Position	\$ 4,601,069	\$ 3,879,659

Table II shows the changes in net position for the fiscal years ended June 30, 2019 and 2018.

**Table II**  
**Changes in Net Position**  
**Years Ended June 30,**

	2019	2018
Revenues		
Program Revenues		
Charges for Services	\$ 427,255	\$ 374,203
Operating Grants and Contributions	1,612,463	1,551,436
General Revenues		
Property Taxes	4,939,197	4,735,067
State Aid-Unrestricted	10,744,136	10,857,875
Interest and Miscellaneous Earnings	157,472	159,523
Total Revenues	\$ 17,880,523	\$ 17,678,104

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Management's Discussion and Analysis - Continued**

**Table II**  
**Changes in Net Position - Continued**  
**Years Ended June 30,**

	2019	2018
Expenses		
Regular Instruction	\$ 9,044,951	\$ 8,352,767
Special Instruction	2,059,548	2,162,320
Vocational Instruction	495,111	467,169
Pupil Services	1,383,908	1,336,389
General Administration Services	447,118	470,623
School Administration Services	187,441	158,624
Operation and Maintenance	1,207,154	1,301,068
Pupil Transportation	559,866	454,533
Student Activities	617,166	593,406
School Food Services	667,166	661,742
Interest and Other Charges	489,684	500,417
Total Expenses	<u>17,159,113</u>	<u>16,459,058</u>
Change in Net Position	<u>\$ 721,410</u>	<u>\$ 1,219,046</u>

Unrestricted state aid constituted 60.1%, property tax 27.6%, operating grants and contributions 9.0%, and charges for services made 2.4% of the total revenues of governmental activities of the District for the fiscal year ended June 30, 2019.

Regular instruction constituted 52.7%, special instruction 12.0%, pupil services 8.1%, operation and maintenance 7.0%, and school food services 3.9% of total expenses for governmental activities during the fiscal year ended June 30, 2019.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table III shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues.

**Table III**  
**Total and Net Cost of Services**  
**Years Ended June 30,**

	Total Cost		Net Cost	
	2019	2018	2019	2018
Regular Instruction	\$ 9,044,951	\$ 8,352,767	\$ 8,302,460	\$ 7,773,300
Special Instruction	2,059,548	2,162,320	1,688,076	1,761,294
Vocational Instruction	495,111	467,169	495,111	467,169
Pupil Services	1,383,908	1,336,389	1,383,908	1,336,389
General Administration Services	447,118	470,623	447,118	470,623
School Administration Services	187,441	158,624	187,441	158,624
Operation and Maintenance	1,207,154	1,301,068	1,207,154	1,301,068
Pupil Transportation	559,866	454,533	337,852	223,187
Student Activities	617,166	593,406	617,166	593,406
School Food Services	667,166	661,742	(36,575)	(52,058)
Interest and Other Charges	489,684	500,417	489,684	500,417
Total Expenses	<u>\$ 17,159,113</u>	<u>\$ 16,459,058</u>	<u>\$ 15,119,395</u>	<u>\$ 14,533,419</u>

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Management's Discussion and Analysis - Continued**

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**Financial Analysis of the Government's Funds**

The purpose of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unreserved fund balance generally can be used as a measure of the District's net resources available for spending as of the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting.

The District's governmental funds had total revenue of \$17,752,992 and expenditures of \$17,311,650 for the fiscal year ended June 30, 2019. The unassigned fund balance of the District's general fund was \$4,187,596.

**General Fund Budgetary Highlights**

During the year, revenues were more than budgetary estimates by \$124,080 and expenditures were less than budgetary estimates by \$4,766.

Additional information on the Wahpeton Public School District No. 37 budget can be found in Note 2 of the audited financial statements that follow this analysis.

**Capital Assets**

As of June 30, 2019, the Wahpeton Public School District No. 37 had \$36,771,502 invested in capital assets. Table IV shows the balances at June 30, 2019 and 2018.

**Table IV**  
**Capital Assets**  
**(Net of Accumulated Depreciation)**  
**Years Ended June 30,**

	<u>2019</u>	<u>2018</u>
Land	\$ 689,542	\$ 689,542
Construction in Progress	217,417	-
Buildings and Improvements	35,138,071	35,876,838
Vehicles and Equipment	<u>726,472</u>	<u>454,022</u>
Total Capital Assets	<u>\$ 36,771,502</u>	<u>\$ 37,020,402</u>

This total represents a net decrease of \$248,900 in capital assets from the prior fiscal year. For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 10 of the audited financial statements that follow this analysis.

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Management's Discussion and Analysis - Continued**

**Debt Administration**

As of June 30, 2019, the Wahpeton Public School District No. 37 had \$32,538,631 of total debt, a decrease of \$1,461,322 from the previous fiscal year.

**Table V**  
**Outstanding Debt**  
**Years Ended June 30,**

	Total Outstanding		Due Within One Year	
	2019	2018	2019	2018
General Obligation Bonds Payable	\$ 23,495,937	\$ 24,921,718	\$ 1,459,185	\$ 1,434,639
Notes Payable	8,840,046	8,862,921	24,279	22,875
Bond Premium	202,648	215,314	12,666	12,666
Total	<u>\$ 32,538,631</u>	<u>\$ 33,999,953</u>	<u>\$ 1,496,130</u>	<u>\$ 1,470,180</u>

For additional information regarding the outstanding debt, readers are referred to Note 11 of the audited financial statements that follow this analysis.

**For the Future**

The Wahpeton Public School District No. 37 has shown declining student enrollment in recent years. The following table reflects the fall enrollment for the 2018-2019 and the preceding four years.

	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Total Enrollment	1,239	1,227	1,187	1,187	1,195

Technology, energy costs (electricity and fuel), special education and health insurance will likely continue to consume large portions of the budget. The District continues to experience positive growth in total taxable valuation and does not anticipate a reduction. Substantial increases should not be expected or counted on.

**Contacting the Districts Financial Management**

This financial report is designed to provide our parents, taxpayers and creditors with a general overview of the Wahpeton Public School District No. 37's finances and to show the District's accountability for the money it receives to provide the best possible education to all students enrolled in Wahpeton Public School District No. 37. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact Danica Sinner at 1021 11th St N Wahpeton, North Dakota, 58075, (701) 642-6741.

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**STATEMENT OF NET POSITION**  
**June 30, 2019**

<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 8,967,990
Restricted Cash	135,740
Due from County	6,312
Due from Federal Government	158,578
Taxes Receivable	232,188
Inventories	30,917
Note Receivable	<u>6,121,800</u>
Total Current Assets	15,653,525
Capital Assets	
Non-depreciable	
Land	689,542
Construction in Progress	217,417
Depreciable, net of accumulated depreciation	
Buildings and Improvements	35,138,071
Vehicles and Equipment	<u>726,472</u>
Total Capital Assets	<u>36,771,502</u>
Total Assets	52,425,027
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pension	<u>1,920,898</u>
Total Assets and Deferred Outflows of Resources	54,345,925
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	155,160
Accrued Expenses	17,500
Interest Payable	164,692
Current Portion of Long-term Debt	
General Obligation Bonds Payable	1,459,185
Notes Payable	24,279
Bond Premium	<u>12,666</u>
Total Current Liabilities	1,833,482
Due After One Year	
General Obligation Bonds Payable	22,036,752
Notes Payable	8,815,767
Bond Premium	189,982
Pension Liability	<u>15,404,320</u>
Total Long-term Liabilities	<u>46,446,821</u>
Total Liabilities	48,280,303
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	<u>1,464,553</u>
Total Liabilities and Deferred Inflows of Resources	49,744,856
<b>NET POSITION</b>	
Net Investment in Capital Assets	4,232,871
Restricted	9,843,016
Unrestricted (Deficit)	<u>(9,474,818)</u>
Total Net Position	<u>\$ 4,601,069</u>

See Notes to Financial Statements

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2019**

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Regular Instruction	\$ 9,044,951	\$ 162,139	\$ 580,352	\$ (8,302,460)
Special Instruction	2,059,548	-	371,472	(1,688,076)
Vocational Instruction	495,111	-	-	(495,111)
Pupil Services	1,383,908	-	-	(1,383,908)
General Administration Services	447,118	-	-	(447,118)
School Administration Services	187,441	-	-	(187,441)
Operation and Maintenance	1,207,154	-	-	(1,207,154)
Pupil Transportation	559,866	-	222,014	(337,852)
Student Activities	617,166	-	-	(617,166)
School Food Services	667,166	265,116	438,625	36,575
Interest and Other Charges	489,684	-	-	(489,684)
	<u>\$ 17,159,113</u>	<u>\$ 427,255</u>	<u>\$ 1,612,463</u>	<u>(15,119,395)</u>
<b>General Revenues</b>				
Taxes				
				2,549,156
				2,026,628
				363,413
				10,744,136
				4,488
				1,993
				150,991
				<u>15,840,805</u>
				721,410
				<u>3,879,659</u>
				<u>\$ 4,601,069</u>

See Notes to Financial Statements

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**June 30, 2019**

	Major Funds				Total Governmental Funds
	General Fund	Debt Service HS Reno	Capital Projects HS Reno	Other Governmental Funds	
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 4,095,506	\$ 2,947,250	\$ -	\$ 949,256	\$ 7,992,012
Restricted Cash	-	-	-	135,740	135,740
Due from County	3,179	2,537	-	596	6,312
Due from Federal Government	158,578	-	-	-	158,578
Due from Other Funds	-	-	-	2,028	2,028
Taxes Receivable	116,908	93,364	-	21,916	232,188
Inventories	-	-	-	30,917	30,917
Note Receivable	-	-	6,121,800	-	6,121,800
Total Assets	<u>\$ 4,374,171</u>	<u>\$ 3,043,151</u>	<u>\$ 6,121,800</u>	<u>\$ 1,140,453</u>	<u>\$ 14,679,575</u>
<b>LIABILITIES</b>					
Accounts Payable	\$ 69,667	\$ -	\$ -	\$ -	\$ 69,667
Due to Other Funds	-	-	-	2,028	2,028
Total Liabilities	69,667	-	-	2,028	71,695
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue - Property Taxes	116,908	93,364	-	21,916	232,188
Total Deferred Inflows of Resources	116,908	93,364	-	21,916	232,188
<b>FUND BALANCE</b>					
Nonspendable	-	-	6,121,800	30,917	6,152,717
Restricted	-	2,949,787	-	838,341	3,788,128
Assigned	-	-	-	249,279	249,279
Unassigned (Deficit)	4,187,596	-	-	(2,028)	4,185,568
Total Fund Balance	<u>4,187,596</u>	<u>2,949,787</u>	<u>6,121,800</u>	<u>1,116,509</u>	<u>14,375,692</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 4,374,171</u>	<u>\$ 3,043,151</u>	<u>\$ 6,121,800</u>	<u>\$ 1,140,453</u>	<u>\$ 14,679,575</u>

See Notes to Financial Statements



**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2019**

Total Fund Balance - Governmental Funds		\$ 14,375,692
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	45,827,795	
Less Accumulated Depreciation	(9,056,293)	
Net Capital Assets	<u>36,771,502</u>	36,771,502
Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds.		
		232,188
Internal service funds are used by the District to charge the costs of health insurance to departments. The assets and liabilities of internal service funds are included in the governmental activities in the statement of net position.		
		890,485
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditures when due. All liabilities, both current and long-term are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.		
Accrued Expenses	(17,500)	
Interest Payable	(164,692)	
General Obligation Bonds Payable	(23,495,937)	
Notes Payable	(8,840,046)	
Bond Premium	(202,648)	
Pension Liability	(14,947,975)	
Total Long-term Liabilities	<u>(47,668,798)</u>	(47,668,798)
Total Net Position of Governmental Activities		<u>\$ 4,601,069</u>

See Notes to Financial Statements

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE – GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2019**

	Major Funds				
	General Fund	Debt Service HS Reno	Capital Projects HS Reno	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Local Sources	\$ 2,575,781	\$ 1,954,483	\$ -	\$ 812,199	\$ 5,342,463
State Sources	10,966,150	-	-	13,494	10,979,644
Federal Sources	951,824	-	-	425,131	1,376,955
Interest Income	313	2,773	-	1,320	4,406
Miscellaneous Income	49,524	-	-	-	49,524
<b>Total Revenues</b>	<b>14,543,592</b>	<b>1,957,256</b>	<b>-</b>	<b>1,252,144</b>	<b>17,752,992</b>
<b>EXPENDITURES</b>					
<b>Current</b>					
Regular Instruction	7,350,382	-	-	-	7,350,382
Special Instruction	1,994,102	-	-	-	1,994,102
Vocational Instruction	494,609	-	-	-	494,609
Pupil Services	1,382,889	-	-	-	1,382,889
General Administration Services	439,015	-	-	-	439,015
School Administration Services	179,338	-	-	-	179,338
Operation and Maintenance	1,338,744	-	-	57,299	1,396,043
Pupil Transportation	876,032	-	-	-	876,032
Student Activities	544,709	-	-	-	544,709
School Food Services	-	-	-	632,150	632,150
<b>Debt Service</b>					
Principal	-	1,340,357	-	108,299	1,448,656
Interest and Other Charges	-	409,474	-	98,963	508,437
Facilities Acquisition and Construction	-	-	-	65,288	65,288
<b>Total Expenditures</b>	<b>14,599,820</b>	<b>1,749,831</b>	<b>-</b>	<b>961,999</b>	<b>17,311,650</b>
Exces (Deficiency) of Revenues over Expenditures	(56,228)	207,425	-	290,145	441,342
Operating Transfer In	87,500	-	-	-	87,500
Operating Transfer Out	-	-	-	(87,500)	(87,500)
<b>Total Other Financing Sources (Uses)</b>	<b>87,500</b>	<b>-</b>	<b>-</b>	<b>(87,500)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>31,272</b>	<b>207,425</b>	<b>-</b>	<b>202,645</b>	<b>441,342</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>4,156,324</b>	<b>2,742,362</b>	<b>6,121,800</b>	<b>913,864</b>	<b>13,934,350</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 4,187,596</b>	<b>\$ 2,949,787</b>	<b>\$ 6,121,800</b>	<b>\$ 1,116,509</b>	<b>\$ 14,375,692</b>

See Notes to Financial Statements

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2019**

Net Change in Fund Balance - Total Governmental Funds \$ 441,342

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets with a cost greater than \$5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year. (248,900)

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

Net Increase in Pension Liability	(1,066,054)	
Net Decrease in Interest Payable	<u>6,087</u>	
		(1,059,967)

Repayment of debt principal and other long-term liabilities is an expenditure in the governmental fund financial statements, but repayment reduces long-term liabilities in the statement of net position. 1,448,656

Internal service funds are used by the District to charge the costs of health insurance to departments. The net revenue of activities of the internal service fund is reported with governmental activities. 103,624

Governmental funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Annual amortization of bond issue premium and bond issuance costs are included in the statement of activities, but not in the governmental funds. 12,666

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of an increase in taxes receivable. 23,989

Change in Net Position of Governmental Activities \$ 721,410

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**STATEMENT OF NET POSITION – PROPRIETARY FUND**  
**June 30, 2019**

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	<u>Internal Service Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 975,978
LIABILITIES	
Accrued Expenses	<u>85,493</u>
NET POSITION	
Unrestricted	<u><u>\$ 890,485</u></u>

See Notes to Financial Statements

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUND**  
**June 30, 2019**

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	<u>Internal Service Fund</u>
OPERATING REVENUES	
Contribution to Self-Insurance	\$ 1,749,149
OPERATING EXPENSES	
Claims Expense	1,568,390
Administrative Fees and Other	<u>77,217</u>
Total Operating Expenses	<u>1,645,607</u>
Operating Income	103,542
NONOPERATING INCOME	
Interest Income	<u>82</u>
CHANGE IN NET POSITION	103,624
NET POSITION, BEGINNING OF YEAR	<u>786,861</u>
NET POSITION, END OF YEAR	<u><u>\$ 890,485</u></u>

See Notes to Financial Statements

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**STATEMENT OF CASH FLOWS – PROPRIETARY FUND**  
**June 30, 2019**

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CASH FLOWS FROM OPERATING ACTIVITIES	
Received from User Charges	\$ 1,749,149
Payments for Health Insurance Claims	<u>(1,574,178)</u>
Net Cash Provided by Operating Activities	174,971
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	<u>82</u>
Net Cash Provided by Investing Activities	<u>82</u>
Change in Cash and Cash Equivalents	175,053
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>800,925</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 975,978</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ 103,542
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Increase in Accrued Expenses	<u>71,429</u>
Net Cash Provided by Operating Activities	<u><u>\$ 174,971</u></u>

See Notes to Financial Statements

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUND**  
**June 30, 2019**

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	<u>Agency Fund</u>
Cash and Investments	\$ 346,234
Total Assets	346,234
Due to Groups	<u>346,234</u>
Total Liabilities	<u>\$ 346,234</u>

See Notes to Financial Statements

## WAHPETON PUBLIC SCHOOL DISTRICT NO. 37

Wahpeton, North Dakota

### NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Wahpeton Public School District No. 37, Wahpeton, North Dakota (the District) have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

##### A. Reporting Entity

The accompanying financial statements present the activities of the Wahpeton Public School District No. 37. The District has considered all potential component units for which the District is financially accountable and other organizations for which the nature and significance of their relationships with the District such that exclusion would cause the District's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. This criterion includes appointing a voting majority of an organization's governing body and (1) the ability of the Wahpeton Public School District No. 37 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 Wahpeton Public School District No. 37.

Based on these criteria, there is one component unit to be included within the Wahpeton Public School District No. 37 as a reporting entity.

*Blended Component Unit* – Blended component units, although legally separate entities, are in substance, part of the government's operations and so data from these units are combined with data of the primary government.

*Wahpeton School Improvements Corporation* – The Wahpeton School Improvements Corporation (WSIC) was formed for the purpose of joint enterprise and cooperative activity consisting of improvement, expansion, renovation, remodeling, and construction of two education facilities in the city of Wahpeton, North Dakota. The Superintendent, Business Manager, and School Board President are the WSIC's board and they make the operating and financing decisions of the Corporation. The Corporation's only activity is a lease of real property located in Wahpeton, North Dakota to one tenant, the District. Thus, the entity was included as a blended component unit of the District in a separate special revenue fund.

##### 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 (Wahpeton Public School District No. 37). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, fees and other non-exchange transactions. The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund financial statements - The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the district-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

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



**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Notes to Financial Statements – Continued**

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

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

Additionally, the District reports the following governmental fund types that are included in non-major funds:

1. Governmental Funds

- a. *Special Reserve Fund* – Used to account for resources restricted to, or designated for, specific purposes by the District.
- b. *Food Service Fund* – Used to account for food service revenues and expenditures.
- c. *Capital Projects Fund* – Used to account for financial resources related to capital outlays made by the District.
- d. *Debt Service Funds* – Used to account for the accumulation of resources for, and payment of, general obligation bond principal, interest, and related costs.
- e. *School Improvements Corporation* – Used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

The District also reports the following fund types:

1. Proprietary Fund

- a. *Internal Service Fund* – This fund accounts for medical insurance provided to other departments on a cost-reimbursement basis.

2. Fiduciary Funds

- a. *Agency Funds* – Used to account for resources held for other in a custodial capacity, the District's Agency Fund is the Student Activity Fund.

**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. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**

**Notes to Financial Statements – Continued**

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

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

**D. Cash and Investments**

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

Investments consist of certificates of deposits stated at cost with maturities greater than three months.

**E. Inventories**

Inventory consists of food service supplies not consumed as of June 30, 2019 reported in the food service fund. Reported inventories net of deferred revenue are offset by a fund balance reserve to indicate they do not constitute "available spendable resources" even though they are a component of net current assets.

**F. Capital Assets**

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

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

<u>Assets</u>	<u>Years</u>
Building	20-75
Playground equipment	20
School busses	15-20
Other vehicles	10
Improvements	10-40

**G. Vacation Pay, Sick Pay, Severance**

The expenditures for vacation pay are recognized when payment is made. The superintendent is the only individual allowed to carry-over vacation days, therefore the amount is not deemed to be material. Employees are not compensated for unused sick pay or severance pay upon termination.

**H. Long-term Obligations**

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

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**

**Notes to Financial Statements – Continued**

**I. Pension Plans**

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

**J. Fund Balance and Net Position**

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 (restriction or limitations) imposed upon the use of the resources reported in governmental funds.

*Fund Balance Spending Policy:*

It is the policy of the Wahpeton Public School District No. 37 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 Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions” provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints and the purpose for which resources can be used:

<u>CLASSIFICATION</u>	<u>DEFINITION</u>	<u>EXAMPLES</u>
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 or (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.
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 judgements, retirements of loans and notes payable, capital expenditures, and self-insurance.

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**

**Notes to Financial Statements – Continued**

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

*Nonspendable Fund Balance*

Nonspendable fund balance consists of inventory in the special revenue food service fund and long-term receivable in the capital projects fund.

*Restricted Fund Balances - Consist of the following items:*

Special Revenue Fund

Funds used for special uses as restricted by state law. In accordance with NDCC 57-19-01, the ending fund balance is limited to the amount generated by fifteen (15) mills times the taxable valuation of the District. Restricted by enabling legislation and tax levy.

Debt Service Fund

Funds used for the payment of principal and interest. Restricted by enabling legislation, tax levy, and bond indenture.

Capital Projects Fund

Funds used for capital asset acquisition or expenditure. Restricted by enabling legislation, tax levy, and bond indenture.

*Assigned Fund Balance*

Food Service Fund

Restricted state and federal resources are spent first and reimbursed by year-end. Any remaining fund balance is normally left in the food service fund at year-end, but may be spent at the discretion of the business manager (authority given from the governing board).

*Unassigned Fund Balance*

Consists of the amount reported in the general fund at year end and negative balance in the debt service fund.

*Net Position*

The 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 year ended June 30, 2013.

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

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.

**K. Interfund Transactions**

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

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

**NOTE 2 - LEGAL COMPLIANCE - BUDGETS**

Expenditures over Appropriations – General fund expenditures did not exceed appropriations for the year ended June 30, 2019.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

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

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

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the State of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board. At year end, June 30, 2019, the District's carrying amounts of deposits was \$9,449,964 and the bank balances were \$10,332,652. Of the bank balances, \$750,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by pledging financial institution's agent in the government's name.

*Credit Risk:*

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

- 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.

As of June 30, 2019, the District held no certificates of deposit.

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Notes to Financial Statements – Continued**

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*Interest Rate Risk:*

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

*Concentration of Credit Risk:*

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

**NOTE 4 - TAXES RECEIVABLE**

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

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

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

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

**NOTE 5 – RESTRICTED CASH**

As of June 30, 2019, the Wahpeton School Improvement Corporation's restricted cash consisted of \$135,740 in the CDE FEE Reserve account.

**NOTE 6 - DUE FROM COUNTY**

Due from county represents the amount of taxes collected prior to year-end that are distributed to the District shortly after June 30, 2019.

**NOTE 7 - DUE FROM FEDERAL GOVERNMENT**

The amount due from federal government consists of a reimbursement claim for various Title Programs. This claim is passed through the state.

**NOTE 8 - DUE FROM STATE GOVERNMENT**

The amount due from state government consists of reimbursement claims for various projects.

**NOTE 9 - DUE TO/FROM OTHER FUNDS**

The due to and from other funds as of June 30, 2019 represents the negative cash balance in the debt service special assessment fund, owed to the capital projects building fund.

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Notes to Financial Statements – Continued**

Fund	Interfund Receivable	Interfund Payable
Debt Service Special Assessment	\$ -	\$ 2,028
Capital Projects Building	2,028	-
Totals	<u>\$ 2,028</u>	<u>\$ 2,028</u>

**NOTE 10 - CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended June 30, 2019:

	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$ 689,542	\$ -	\$ -	\$ 689,542
Construction in Progress	-	217,417	-	217,417
Total Capital Assets, not being depreciated	689,542	217,417	-	906,959
Capital Assets, being depreciated				
Buildings and Improvements	43,095,171	40,000	-	43,135,171
Vehicles and Equipment	1,437,431	363,646	(15,412)	1,785,665
Total Capital Assets, being depreciated	44,532,602	403,646	(15,412)	44,920,836
Less Accumulated Depreciation for				
Buildings and Improvements	7,218,333	778,767	-	7,997,100
Vehicles and Equipment	983,409	91,114	(15,330)	1,059,193
Total Accumulated Depreciation	8,201,742	869,881	(15,330)	9,056,293
Total Capital Assets Being Depreciated, net	36,330,860	(466,235)	(82)	35,864,543
Governmental Activities Capital Assets, net	<u>\$ 37,020,402</u>	<u>\$ (248,818)</u>	<u>\$ (82)</u>	<u>\$ 36,771,502</u>

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Notes to Financial Statements – Continued**

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

Governmental Activities	
Regular Instruction	\$ 628,515
Special Instruction	65,446
Vocational Instruction	502
Pupil Services	1,019
General Administration Services	8,103
School Administration Services	8,103
Operation and Maintenance	3,240
Pupil Transportation	47,480
Student Activities	72,457
School Food Services	35,016
	<u>                    </u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 869,881</u></u>

**NOTE 11 - LONG-TERM LIABILITIES**

During the year ended June 30, 2019, the following changes occurred in liabilities reported in long-term liabilities:

	Long-term Liabilites at July 1, 2018	Increases	Decreases	Long-term Liabilites at June 30, 2019	Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	\$ 24,921,718	\$ -	\$ (1,425,781)	\$ 23,495,937	\$ 1,459,185
Notes Payable	8,862,921	-	(22,875)	8,840,046	24,279
Bond Premium	215,314	-	(12,666)	202,648	12,666
Pension Liability*	16,122,746	-	(718,426)	15,404,320	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total - Governmental Activities	<u><u>\$ 50,122,699</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (2,179,748)</u></u>	<u><u>\$ 47,942,951</u></u>	<u><u>\$ 1,496,130</u></u>

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

Outstanding debt at June 30, 2019, are comprised of the following individual issues:

1. General Obligation Bonds
  - a. General Obligation State School Construction Bonds dated January 22, 2014. From an original issuance of \$20,000,000, at an interest rate of 1.00%, \$14,410,937 remains outstanding. The principal and interest are payable through June 1, 2033.
  - b. General Obligation State School Building Bonds dated April 4, 2013. From an original issuance of \$880,000, at rates ranging from 1.00% to 1.75%, \$455,000 remains outstanding. The principal and interest are payable through August 1, 2023.
  - c. General Obligation School Building Bonds, Series 2015 dated November 2, 2015. From an original issuance of \$9,695,000, at rates ranging from 2.00% to 3.25%, \$8,630,000 remains outstanding. The principal and interest are payable through August 1, 2035.
2. Notes Payable
  - a. Contract for deed at an interest rate of 6.00%, due in quarterly payments of \$6,685 including interest through July 1, 2021, \$50,046 remains outstanding.



**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Notes to Financial Statements – Continued**

3. Bond Premium

- a. Bond premium associated with General Obligation School Building Bonds, Series 2015 dated November 2, 2015. From an original issuance of \$253,312 being amortized through August 1, 2035, \$202,648 remains outstanding.

The debt service requirements are as follows:

\$20,000,000 General Obligation State School Construction Fund Bonds

(Dated January 22, 2014, due annually to June 1, 2033)

(Interest paid annually on June 1st)

<u>Year Ending June 30</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2020	1.00%	\$ 964,185	\$ 144,121	\$ 1,108,306
2021	1.00%	973,827	134,479	1,108,306
2022	1.00%	983,565	124,741	1,108,306
2023	1.00%	993,401	114,905	1,108,306
2024	1.00%	1,003,335	104,971	1,108,306
2025 - 2029	1.00%	5,169,198	372,334	5,541,532
2030 - 2033	1.00%	4,323,426	108,652	4,432,078
		<u>\$ 14,410,937</u>	<u>\$ 1,104,203</u>	<u>\$ 15,515,140</u>

The bonds are subject to redemption at the option of the District in whole or in part, and if in part, in inverse order of principal installments, on any date, at a price equal to the principal amount thereof to be redeemed, plus accrued interest.

\$880,000 General Obligation School Building Bonds, Series 2015

(Dated November 2, 2015, due serially to August 1, 2023)

(Interest paid semiannually on February 1st and August 1st)

<u>Year Ending June 30</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2020	1.00%	\$ 85,000	\$ 6,271	\$ 91,271
2021	1.40%	90,000	5,216	95,216
2022	1.40%	90,000	3,956	93,956
2023	1.75%	95,000	2,494	97,494
2024	1.75%	95,000	831	95,831
		<u>\$ 455,000</u>	<u>\$ 18,768</u>	<u>\$ 473,768</u>

Bonds are not subject to optional redemption prior to their stated maturities.

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Notes to Financial Statements – Continued**

\$9,695,000 General Obligation School Building Bonds, Series 2015

(Dated November 2, 2015, due serially to August 1, 2035)

(Interest paid semiannually on February 1st and August 1st)

<u>Year Ending June 30</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2020	3.00%	\$ 410,000	\$ 233,950	\$ 643,950
2021	3.00%	420,000	221,500	641,500
2022	3.00%	430,000	208,750	638,750
2023	2.00%	445,000	197,850	642,850
2024	3.00%	455,000	186,575	641,575
2025 - 2029	2.00 - 2.50%	2,450,000	631,790	3,081,790
2030 - 2034	2.75 - 3.00%	2,785,000	533,517	3,318,517
2035 - 2036	3.00 - 3.25%	1,235,000	39,618	1,274,618
		<u>\$ 8,630,000</u>	<u>\$ 2,253,550</u>	<u>\$ 10,883,550</u>

Bonds maturing on August 1, 2024 and thereafter are subject to optional redemption on August 1, 2021 and any date thereafter at a price of par plus accrued interest to the redemption date.

Bus Building Loan

(Dated July 1, 2011, quarterly payments through July 1, 2021)

<u>Year Ending June 30</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2020	1.00%	\$ 24,279	\$ 2,464	\$ 26,743
2021	1.00%	25,767	974	26,741
		<u>\$ 50,046</u>	<u>\$ 3,438</u>	<u>\$ 53,484</u>

*Notes Payable – Dakotas XV*

On February 28, 2014, the WSIC entered into a loan agreement with Dakotas XV, LLC in the amounts of \$4,761,400 (Note A1) and \$2,028,600 (Note B1). Payments of interest only on Note A1 and B1 are due annually in arrears on the fifth day of each December, commencing on December 5, 2014, and continuing through and including December 5, 2021. Beginning December 5, 2022, payments of principal and interest are due annually in the amount of \$242,183 for Note A1 and \$103,812 for Note B2 on the fifth day of each December until maturity. On December 1, 2043, the maturity date, any remaining outstanding principal amounts, together with all accrued and unpaid interest, an all other sums payable are due.

*Notes Payable – CNMC*

On February 28, 2014, the WSIC entered into a loan agreement with CNMC Sub-CDE 50, LLC in the amounts of \$1,360,400 (Note A2) and \$639,600 (Note B2). Payments of interest only on Note A2 and B2 are due annually in arrears on the fifth day of each December, commencing on December 5, 2014, and continuing through and including December 5, 2021. Beginning December 5, 2022, payments of principal and interest are due annually in the amount of \$69,195 for Note A2 and \$32,532 for Note B2 on the fifth day of each December until maturity. On December 1, 2043, the maturity date, any remaining outstanding principal amounts, together with all accrued and unpaid interest, an all other sums payable are due.

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Notes to Financial Statements – Continued**

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Debt service requirement for the Dakotas XV and CNMC notes are as follows:

<u>Year Ending June 30</u>	
2020	\$ -
2021	-
2022	-
2023	359,192
2024	362,784
Thereafter	<u>8,068,024</u>
	<u>\$ 8,790,000</u>

**NOTE 12 - DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources in the fund financial statements consist of amounts for which asset recognition criteria have been met. Under the modified accrual basis of accounting, such amounts are measurable but not available and include taxes receivables of \$232,188. Deferred inflows of resources on the statement of net position consist of related pension expense of \$1,464,553.

**NOTE 13 - DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows of resources in the fund financial statements consist of amounts for which liability recognition criteria have been met, but for which expense recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. Deferred outflows of resources on the statement of net position consist of related pension expense of \$1,920,898.

**NOTE 14 - RISK MANAGEMENT**

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The District pays an annual premium to NDIRF for its general liability, auto and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and auto coverage and \$250,990 for mobile equipment and portable property.

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

The District participates in the North Dakota Workforce Safety & Insurance and purchases commercial insurance for employee health and boiler and machinery insurance. Settled claims resulting from these above risks have not exceeded insurance coverage in any of the past three fiscal years.

The District has elected to be self-insured and retain all risk for liabilities resulting from claims of unemployment benefits. During the year ended June 30, 2019, claims in the amount of \$699 were filed for unemployment benefits.

The District has also established a self-funded employee welfare benefit plan. A service contract has been entered into for the year ending June 30, 2019, with a company to provide administrative services and stop-loss insurance coverage. Stop-loss coverages are based on claims incurred during the contract period and paid during or after the same 12-month period. The individual stop-loss maximum is \$30,000 per member per year and the aggregate stop-loss maximum is 120% of expected claims. The basis for estimating unpaid claims at year end is to view claims filed with the service company after year-end.

**NOTE 15 - PENSION PLANS**

**North Dakota Teacher's Fund for Retirement**

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

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

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

**Pension Benefits**

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

*Tier 1 Grandfathered*

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

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

*Tier 1 Non-Grandfathered*

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

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

*Tier 2*

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

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

**Death and Disability Benefits**

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

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

**Member and Employer Contributions**

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

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

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

At June 30, 2019, the District reported a liability of \$12,951,026 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial calculation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employees. At June 30, 2018 the District's proportion was .971673 percent which was a decrease of .024423 percent from its proportion measured as of June 30, 2017.

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Notes to Financial Statements – Continued**

For the year ended June 30, 2019, the District recognized pension expenses of \$958,634. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 35,150	\$ 352,232
Changes in assumptions	713,450	-
Net difference between projected and actual investment earnings	-	44,776
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	845,078
Employer contributions subsequent to the measurement date	<u>151,588</u>	<u>-</u>
Totals	<u>\$ 900,188</u>	<u>\$ 1,242,086</u>

\$151,588 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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

<u>Year ended June 30:</u>	
2020	237,735
2021	56,692
2022	(260,922)
2023	(284,309)
2024	(159,716)
Thereafter	(82,966)

**Actuarial Assumptions**

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in measurement:

Inflation	2.75%
Salary increases	4.75% 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, 2018, funding actuarial valuation for TFFR.

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**

**Notes to Financial Statements – Continued**

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 8.00% to 7.75%.
- Inflation assumption lowered from 3.00% to 2.75%.
- Total salary scales 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.

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

Best estimates of arithmetic real rates of return for each major asset class included in the Fund’s target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equities	58%	6.70%
Global Fixed Income	23%	1.50%
Global Real Assets	18%	5.10%
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, 2018. 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, 2018, 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, 2018. 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, 2018.

**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%, 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%) or 1-percentage-point higher (8.75%) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 17,487,633	\$ 12,951,026	\$ 9,177,979

**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, 2018. Additional financial and actuarial information is available on their website, [www.nd.gov/rio](http://www.nd.gov/rio), 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.

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of 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.

**Pension Benefits**

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 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 member’s accumulated contributions plus interest.

**Death and Disability Benefits**

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

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



**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Notes to Financial Statements – Continued**

**Refunds of Member Account Balance**

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

**Member and Employer Contributions**

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and ages. Member contribution rates are 7% and employer contribution rates 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, 2019, the District reported a liability of \$2,350,316 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2018, the District's proportion was .139269 percent, which was an increase of .005865 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$372,060. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ 6,222	\$ 79,962
Changes in assumptions	848,415	33,546
Net difference between projected and actual investment earnings	-	11,435
Changes in proportion and differences between employer contributions and proportionate share of contributions	29,000	88,776
Employer contributions subsequent to the measurement date	<u>107,878</u>	<u>-</u>
Totals	<u>\$ 991,515</u>	<u>\$ 213,719</u>

\$107,878 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Notes to Financial Statements – Continued**

<u>Year ended June 30:</u>	
2020	226,231
2021	194,856
2022	157,500
2023	89,700
2024	1,631
Thereafter	-

**Actuarial Assumptions**

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%		
Salary Increases	Service at Beginning of Year	State Employee	Non-State Employee
	<u>0</u>	<u>12.00%</u>	<u>15.00%</u>
	1	9.50%	10.00%
	2	7.25%	8.00%
	3		
	4		
	<u>Age*</u>		
	Under 30	7.25%	10.00%
	30-39	6.50%	7.50%
	40-49	6.25%	6.75%
	50-59	5.75%	6.50%
	60+	5.00%	5.25%

\*Age-based salary increase rates apply for employees with three or more years of service

Investment Rate of Return	7.75%, net of investment expense
Cost-of-Living-Adjustment	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table 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 were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

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

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Notes to Financial Statements – Continued**

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	30%	6.05%
International Equity	21%	6.71%
Private Equity	7%	10.20%
Domestic Fixed Income	23%	1.45%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.11%
Cash Equivalents	0%	0.00%

**Discount Rate**

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%, the municipal bond rate is 3.62%, and the resulting Single Discount Rate is 6.32%.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.32 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.32 percent) or 1-percentage-point higher (7.32 percent) than the current rate:

	1% Decrease (5.32%)	Current Discount Rate (6.32%)	1% Increase (7.32%)
District's proportionate share of the net pension liability	\$ 3,193,643	\$ 2,350,316	\$ 1,646,587

**Pension plan fiduciary net position**

Detailed information about the pension plan's fiduciary net position is available in the 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, 2018. The supporting actuarial information is included in the June 30, 2018, 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](http://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 16 – OTHER POST EMPLOYMENT BENEFITS**

**North Dakota Public Employees Retirement System**

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

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

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

**OPEB Benefits**

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

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

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

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

At June 30, 2019, the District reported a liability of \$102,978 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2018, the District's proportion was .130754 percent which was a decrease of .006196 percent from its proportion measured as of June 30, 2017.

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Notes to Financial Statements – Continued**

For the year ended June 30, 2019 the District recognized OPEB expense of \$12,098. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,085	\$ 2,128
Changes in assumptions	8,449	-
Net difference between projected and actual investment earnings	-	2,215
Changes in proportion and differences between employer contributions and proportionate share of contributions	388	4,405
Employer contributions subsequent to the measurement date	<u>17,273</u>	<u>-</u>
Totals	<u>\$ 29,195</u>	<u>\$ 8,748</u>

\$17,273 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020.

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

<u>Year ended June 30:</u>	
2020	237
2021	238
2022	238
2023	1,215
2024	1,036
Thereafter	209

**Actuarial Assumptions**

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Not applicable
Investment rate of return	7.50%, 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 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 were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2017 are summarized in the following table

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Notes to Financial Statements – Continued**

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap Domestic Equities	37%	5.80%
Small Cap Domestic Equities	9%	7.05%
International Equities	14%	6.20%
Core-Plus Fixed Income	40%	1.46%

**Discount Rate**

The discount rate used to measure the total OPEB liability was 7.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2017, and July 1, 2016, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the Plans as of June 30, 2018, calculated using the discount rate of 7.50 percent, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District’s proportionate share of the net pension liability	\$ 130,291	\$ 102,978	\$ 79,563

**NOTE 17 - JOINT VENTURE**

The District participates in the following joint venture:

**Southeast Region Career and Technology Center**

Formed for the purpose of providing vocational services to the member school districts. The Co-op’s governing board is composed of eight representatives from the member school districts, who are school board members. The Board is responsible for adopting the Co-op’s budget and setting service fees at a level adequate to fund the adopted budget. The District retains no equity in the net assets of the Co-op, but does have a responsibility to fund deficits of the Co-op in proportion to the relative participation. Separate financial statements for this joint venture are available from Southeast Region Career and Technology Center.

**NOTE 18 - NONMONETARY TRANSACTIONS**

The District receives food commodities from the federal government to subsidize its food service program. The market value of commodities received for the year ended June 30, 2019 was \$44,656.

**NOTE 19 - CONCENTRATIONS**

The District receives a substantial amount of its support from federal and state governments. A significant reduction in this support may have a material effect on the District’s programs and its continued operations.

**NOTE 20 – FUND BALANCE DEFICIT**

The debt service special assessments fund reported a fund balance deficit at June 30, 2019. The deficit was caused by prior and current year expenditures in excess of revenues.

**NOTE 21 – DUE FROM CHASE NMTC**

As a result of financing structure used to the improvement, expansion, renovation, remodeling, and construction of the District’s elementary and high school buildings, the District borrowed \$6,121,800 to Chase NMTC Wahpeton Investment Fund, LLC. This arrangement was necessary to facility the new market tax credits used to finance part of the construction costs. The promissory note carries an annual interest rate of 1.429%. Accrued interest on the note is payable annually on December 1. The entire outstanding principal balance plus all accrued and unpaid interest is due and payable on the maturity date of the note, December 1, 2039.

An investment fund put and call arrangement was entered into on February 28, 2014 relating to this note. On the seventh anniversary date of this note, the District has the right and option to purchase NMTC’s interest in the note receivable.

**NOTE 22 – RELATED PARTY TRANSACTIONS**

As a condition of the financing arrangement used by the District and its component unit, the WSIC, relating to the improvement, expansion, renovation, remodeling, and construction of two educational facilities (Project), the following lease arrangements were entered into:

1. Ground Lease – On February 28, 2014 the District entered into a ground lease agreement with the Corporation for the Project, pursuant to which the District leased the Project to the Corporation. Pursuant to the ground lease, the Corporation agreed to pay the district rent in the amount of \$2,668,500. The amount was paid in a lump sum on February 28, 2014. The term of the ground lease is sixty-five years from February 28, 2014 through December 1, 2079. The Corporation accounts for the lease as a capital lease.
2. Sublease – On February 28, 2014 the District entered in a lease agreement with the Corporation for the Project, pursuant to which the Corporation subleased the Project to the District. Pursuant to the lease, the District pays annual base rent in varying amounts to the Corporation in arrears on the first day of December of each calendar year. The terms of this lease shall commence on the date of its execution and shall continue for the original term ending December 1, 2014, with an automatic extension of the term of this lease, unless specifically rejected by the governing body of the District (in each case, a “Renewal Term”), of one year from the expiration of the original term of this lease and for one year from the expiration of each Renewal Term of this lease, until the original term of this lease has been extended through December 1, 2043, (the “Lease Term”). The Corporation accounts for the sublease as an operating lease.

The future minimum lease payments due from the District are as follows:

<u>Year ended June 30:</u>	
2020	\$ 90,000
2021	90,000
2022	125,000
2023	510,000
2024	510,000
Thereafter	\$ 10,200,000

**NOTE 23 – MANAGEMENT FEE**

Pursuant to the second amended and restated engagement agreement between the District and Dakotas America, LLC, the WSIC is required to pay Dakotas America, LLC an annual asset management fee of .5% of the qualified equity investment made in Dakotas XV. As of June 30, 2019, accrued asset management fees were \$17,500.

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Notes to Financial Statements – Continued**

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**NOTE 24 – TRANSFERS**

\$87,500 was transferred from the special reserve fund to the general fund in accordance with NDCC 57-19-02.

**NOTE 25 – SUBSEQUENT EVENTS**

The District has evaluated subsequent events through April 16, 2020, the date on which the financial statements were available to be issued. Subsequent to year end, the District finished a roofing project in the amount of \$560,000.



**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
**Year Ended June 30, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Local Sources	\$ 2,438,565	\$ 2,438,565	\$ 2,575,781	\$ 137,216
State Sources	10,925,565	10,925,565	10,966,150	40,585
Federal Sources	1,014,882	1,014,882	951,824	(63,058)
Interest Income	500	500	313	(187)
Miscellaneous Income	40,000	40,000	49,524	9,524
Total Revenues	14,419,512	14,419,512	14,543,592	124,080
<b>EXPENDITURES</b>				
Current				
Regular Instruction	7,409,178	7,409,178	7,350,382	58,796
Special Instruction	2,107,577	2,107,577	1,994,102	113,475
Vocational Instruction	515,260	515,260	494,609	20,651
Pupil Services	1,382,896	1,382,896	1,382,889	7
General Administration Services	462,599	462,599	439,015	23,584
School Administration Services	156,493	156,493	179,338	(22,845)
Operation and Maintenance	1,364,477	1,364,477	1,338,744	25,733
Pupil Transportation	625,930	625,930	876,032	(250,102)
Student Activities	580,176	580,176	544,709	35,467
Total Expenditures	14,604,586	14,604,586	14,599,820	4,766
Exces (Deficiency) of Revenues over Expenditures	(185,074)	(185,074)	(56,228)	128,846
<b>OTHER FINANCING SOURCES</b>				
Operating Transfer In	-	-	87,500	87,500
Total Other Financing Sources	-	-	87,500	87,500
<b>NET CHANGE IN FUND BALANCE</b>	(185,074)	(185,074)	31,272	216,346
<b>FUND BALANCE, BEGINNING OF YEAR</b>			4,156,324	
<b>FUND BALANCE, END OF YEAR</b>			<u>\$ 4,187,596</u>	

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**PENSION SCHEDULES**  
**Year Ended June 30, 2019**

Schedule of Employer's Share of Net Pension Liability  
ND Teacher's Fund for Retirement (TFFR)  
Last 10 Fiscal Years\*

	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.971673%	0.996090%	1.031544%	1.064563%	1.074754%
District's proportionate share of the net pension liability (asset)	12,951,026	13,681,637	15,112,734	13,922,942	11,261,517
District's covered-employee payroll	6,605,525	6,723,363	6,702,203	6,548,180	6,234,148
District proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	196.06%	203.49%	225.49%	212.62%	180.64%
Plan fiduciary net position as a percentage of the total pension liability	65.50%	63.20%	59.20%	62.10%	66.60%

Schedule of Employer Contributions  
ND Teacher's Fund for Retirement (TFFR)  
Last 10 Fiscal Years\*

	2019	2018	2017	2016	2015
Statutorily required contribution	842,205	857,229	854,531	834,853	670,164
Contributions in relation to statutorily required contribution	(842,205)	(857,229)	(854,531)	(834,853)	(670,164)
Contribution deficiency (excess)	-	-	-	-	-
Employer's covered-employee payroll	6,605,525	6,723,363	6,702,203	6,548,180	6,234,148
Contributions as a percentage of covered-employee payroll	12.75%	12.75%	12.75%	12.75%	10.75%

\*Complete data for these schedules is not available prior to 2015

\*\*The measurement date of the net pension liability is June 30<sup>th</sup> of the prior year

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Pension Schedules – Continued**

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

	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.139269%	0.145134%	0.141146%	0.153205%	0.150735%
District's proportionate share of the net pension liability (asset)	2,350,316	2,332,780	1,375,605	1,041,768	956,747
District's covered-employee payroll	1,430,730	1,481,586	1,422,423	1,364,873	1,269,764
District proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	164.27%	157.45%	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	62.80%	61.98%	70.46%	77.15%	77.70%

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

	2019	2018	2017	2016	2015
Statutorily required contribution	105,380	107,433	102,981	103,673	90,407
Contributions in relation to statutorily required contribution	(102,483)	(110,884)	(108,677)	(105,652)	(90,407)
Contribution deficiency (excess)	2,897	(3,451)	(5,696)	(1,979)	-
Employer's covered-employee payroll	1,430,730	1,481,586	1,422,423	1,364,873	1,269,764
Contributions as a percentage of covered-employee payroll	7.16%	7.48%	7.64%	7.74%	7.12%

\*Complete data for these schedules is not available prior to 2015

\*\*The measurement date of the net pension liability is June 30<sup>th</sup> of the prior year

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Pension Schedules – Continued**

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

	2019	2018
District's proportion of the net pension liability (asset)	0.130754%	0.136950%
District's proportionate share of the net pension liability (asset)	102,978	108,329
District's covered-employee payroll	1,430,730	1,481,586
District proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.20%	7.31%
Plan fiduciary net position as a percentage of the total pension liability	61.89%	59.78%

Schedule of Employer Contributions OPEB  
 ND Public Employees Retirement System (PERS)  
 Last 10 Fiscal Years\*

	2019	2018
Statutorily required contribution	16,782	17,222
Contributions in relation to statutorily required contribution	(16,409)	(17,754)
Contribution deficiency (excess)	373	(532)
Employer's covered-employee payroll	1,430,730	1,481,586
Contributions as a percentage of covered-employee payroll	1.15%	1.20%

\*Complete data for these schedules is not available prior to 2018

\*\*The measurement date of the net pension liability is June 30<sup>th</sup> of the prior year

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2019**

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**NOTE 1 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

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

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

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

**NOTE 2 - NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT CHANGES OF ASSUMPTIONS**

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

- Investment return assumption lowered from 8.00% to 7.75%.
- Inflation assumption lowered from 3.00% to 2.75%.
- Total salary scale rates lowered by .25% due to inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

**NOTE 3 - NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM CHANGES OF ASSUMPTIONS**

Amounts reported in 2019 reflect actuarial assumption changes effective July 1, 2018 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

**NOTE 4 – NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM CHANGE OF ASSUMPTIONS OPEB**

Amounts reported in 2019 reflect actuarial assumption changes effective July 1, 2018 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEET**  
**June 30, 2019**

	Special Reserve	Food Service	School Improvements Corporation	Debt Service Special Assessment	Debt Service Zimmerman	Capital Projects Building	Total Other Governmental Funds
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 91,746	\$ 249,279	\$ 37,965	\$ -	\$ 252,609	\$ 317,657	\$ 949,256
Restricted Cash	-	-	135,740	-	-	-	135,740
Due from County	47	-	-	-	80	469	596
Due from Other Funds	-	-	-	-	-	2,028	2,028
Taxes Receivable	1,726	-	-	-	2,916	17,274	21,916
Inventories	-	30,917	-	-	-	-	30,917
Total Assets	<u>\$ 93,519</u>	<u>\$ 280,196</u>	<u>\$ 173,705</u>	<u>\$ -</u>	<u>\$ 255,605</u>	<u>\$ 337,428</u>	<u>\$ 1,140,453</u>
<b>LIABILITIES</b>							
Due to Other Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,028</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,028</u>
Total Liabilities	-	-	-	2,028	-	-	2,028
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable Revenue - Property Taxes	<u>1,726</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,916</u>	<u>17,274</u>	<u>21,916</u>
Total Deferred Inflows of Resources	1,726	-	-	-	2,916	17,274	21,916
<b>FUND BALANCE (DEFICIT)</b>							
Nonspendable	-	30,917	-	-	-	-	30,917
Restricted	91,793	-	173,705	-	252,689	320,154	838,341
Assigned	-	249,279	-	-	-	-	249,279
Unassigned (Deficit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,028)</u>	<u>-</u>	<u>-</u>	<u>(2,028)</u>
Total Fund Balance (Deficit)	<u>91,793</u>	<u>280,196</u>	<u>173,705</u>	<u>(2,028)</u>	<u>252,689</u>	<u>320,154</u>	<u>1,116,509</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance (Deficit)	<u>\$ 93,519</u>	<u>\$ 280,196</u>	<u>\$ 173,705</u>	<u>\$ -</u>	<u>\$ 255,605</u>	<u>\$ 337,428</u>	<u>\$ 1,140,453</u>

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE**  
**June 30, 2019**

	Special Reserve	Food Service	School Improvements Corporation	Debt Service Special Assessment	Debt Service Zimmerman	Capital Projects Building	Total Other Governmental Funds
<b>REVENUES</b>							
Local Sources	\$ 36,105	\$ 265,116	\$ 87,900	\$ 197	\$ 61,322	\$ 361,559	\$ 812,199
State Sources	-	13,494	-	-	-	-	13,494
Federal Sources	-	425,131	-	-	-	-	425,131
Interest Income	<u>98</u>	<u>-</u>	<u>1,100</u>	<u>-</u>	<u>109</u>	<u>13</u>	<u>1,320</u>
Total Revenues	36,203	703,741	89,000	197	61,431	361,572	1,252,144
<b>EXPENDITURES</b>							
Current							
Operation and Maintenance	-	-	56,700	-	-	599	57,299
School Food Services	-	632,150	-	-	-	-	632,150
Debt Service							
Principal	-	-	-	-	85,424	22,875	108,299
Interest and Other Charges	-	-	87,900	-	7,196	3,867	98,963
Facilities Acquisition and Construction	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,288</u>	<u>65,288</u>
Total Expenditures	<u>-</u>	<u>632,150</u>	<u>144,600</u>	<u>-</u>	<u>92,620</u>	<u>92,629</u>	<u>961,999</u>
Exces (Deficiency) of Revenues over Expenditures	36,203	71,591	(55,600)	197	(31,189)	268,943	290,145
<b>OTHER FINANCING SOURCES (USES)</b>							
Operating Transfer Out	<u>(87,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(87,500)</u>
Total Other Financing Sources (Uses)	<u>(87,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(87,500)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(51,297)	71,591	(55,600)	197	(31,189)	268,943	202,645
<b>FUND BALANCE (DEFICIT), BEGINNING OF YEAR</b>	<u>143,090</u>	<u>208,605</u>	<u>229,305</u>	<u>(2,225)</u>	<u>283,878</u>	<u>51,211</u>	<u>913,864</u>
<b>FUND BALANCE (DEFICIT), END OF YEAR</b>	<u>\$ 91,793</u>	<u>\$ 280,196</u>	<u>\$ 173,705</u>	<u>\$ (2,028)</u>	<u>\$ 252,689</u>	<u>\$ 320,154</u>	<u>\$ 1,116,509</u>

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS – ACTIVITY FUND**  
**June 30, 2019**

Account	Balance July 01, 2018	Net Increase/(Decrease)	Balance June 30, 2019
<b>HIGHSCHOOL</b>			
Mark Werre Scholarship	\$ 1,197	\$ -	\$ 1,197
Track Fundraiser	5,397	(530)	4,867
Athletics	130,815	4,007	134,822
Alumni Association	2,154	(250)	1,904
Cheerleaders	190	(131)	59
Science Club	68	-	68
Student Council	358	(285)	73
Thespians	1,801	3,589	5,390
Cross Country Fundraiser	2,230	322	2,552
HS Box Tops	-	161	161
EDC Cross Country	161	(161)	-
Project Graduation '15	1,151	(1,151)	-
HS World Language	509	-	509
Speech Fund	233	-	233
Food Vending Machine	1,879	1,687	3,566
Band/Choir Trip	(1,917)	3,766	1,849
Football Fund	264	4,324	4,588
Art Club	31	-	31
Project Graduation '16	1,239	(1,139)	100
Band Account	1,995	(86)	1,909
National Art Honor Society	298	(45)	253
Boys Golf Fund	78	-	78
Project Graduation '19	-	(35)	(35)
Juice Machines	1,021	(640)	381
GBB Down Under Fundraiser	-	6,192	6,192
Boys BB Fundraiser	532	1,367	1,899
MIP Class	285	-	285
Girls BB Fundraiser	(309)	3,954	3,645
Close Up	258	-	258
Swing Choir	1,091	759	1,850
Volleyball Fundraiser	2,572	2,460	5,032
Forensics Fundraiser	334	-	334
Tennis Fundraiser	248	(181)	67
Centennial Scholarship Fund	23,810	2,193	26,003
Calculator	-	200	200
Peer Counseling	201	-	201
HS DECA	(1,264)	494	(770)
Dance Line	460	-	460
Jack Pfister Memorial	240	-	240
Project Lead the Way	3,050	(1,026)	2,024
HS ATM	23	303	326
HS Project Graduation '17	2,799	(800)	1,999
EDC Volleyball	2,026	(1)	2,025
EDC Baseball	1,164	-	1,164
Music Camps	1,165	(300)	865
Girls Golf Fund	6	(2)	4
Stadium/Track Maint. Fund	34,398	(11,500)	22,898
Vet Memorial Fund	814	-	814
Track Clock Fundraiser	296	-	296
Booster Club Scholarships	2,500	(160)	2,340
HS Faculty Account	1,128	(85)	1,043
Boys Hockey Fundraiser	(1,075)	1,437	362
HS School Store	3,910	(39)	3,871
HS AP Test	42	(42)	-
Golf Fundraiser	(35)	452	417
EDC Track	252	-	252
Class of '14	1,430	-	1,430
HS Concession Stand	4,987	1,687	6,674
Baseball Fundraiser	480	1,652	2,132
Casual Friday	4,788	(4,788)	-
EDC Wrestling	92	-	92
Woapanin 2007	4,001	521	4,522
Wa-Hi 2007	3,974	-	3,974
Class B State Golf	350	-	350
Class of '15	254	-	254
HS Project Graduation '18	672	774	1,446
Lefse - HS Athletics	642	(872)	(230)
Flag Memorial	64	-	64
Regional Gymnastics	103	-	103
Clark Williams Scholarship	200	-	200
Prom 2014 & Beyond	1,077	1,719	2,796



**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Schedule of Receipts and Disbursements – Activity Fund – Continued**

Account	Balance July 01, 2018	Net Increase/(Decrease)	Balance June 30, 2019
<b>MIDDLE SCHOOL</b>			
Activity Fund	\$ 23,515	\$ 379	\$ 23,894
Band Fund	140	20	160
Student Council	959	335	1,294
Target Fund	598	-	598
Middle School Fundraiser	8,326	(27)	8,299
Middle School Band Fund	477	(20)	457
Middle School Choir Fund	886	167	1,053
Yearbooks	1,637	(672)	965
Juice Machines	33	26	59
8th Grad Challenge	-	1,276	1,276
Middle School Book Fair	2,819	449	3,268
Make a Sound Choice	3,444	-	3,444
Choir (7/8) Tuning Forks	99	-	99
Jr. Honor Society	15	-	15
Science Field Trip	296	-	296
MS Music Festival	-	58	58
MS Tech Fund	347	(216)	131
<b>ELEMENTARY</b>			
5th Grade Music Program	18	-	18
Recorders	(89)	133	44
Technology Fundraiser	2,508	-	2,508
Student Council	7,212	(1,536)	5,676
ZE Box Tops	1,136	(337)	799
ZE Mondays with Moms	560	(71)	489
ZE Technology	2,717	327	3,044
Special Education Donation	2,778	(239)	2,539
Target Fund	119	-	119
Watch D.O.G.S	81	1	82
Faculty Account	9	-	9
Box Tops	1,133	(355)	778
Music Donation	180	-	180
Activities	4,802	(327)	4,475
Yearbook	264	424	688
Pencil Fund	1,083	259	1,342
Preschool Playground Project	239	-	239
Labels for Learning	162	-	162
Peer Mediators	-	1,271	1,271
Jump Rope for Heart	-	400	400
VFW Clothing Fund	110	(40)	70
Shoe Rescue	343	(191)	152
Medical Donation	216	(88)	128
Literacy Event	694	4	698
	\$ 325,053	\$ 2,181	\$ 346,234

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**SCHEDULE OF TAXABLE LEVIES AND SCHEDULE OF INSURANCE IN FORCE**  
**June 30, 2019**

**SCHEDULE OF TAXABLE LEVIES**

Fund	Amount of Tax Levied	Tax Rate in Mills
General Fund	\$ 2,460,791	67.74
Special Reserve	36,327	1.00
Sinking and Interest	2,025,594	55.76
Building	363,270	10.00
Total	<u>\$ 4,885,982</u>	<u>134.50</u>

**SCHEDULE OF INSURANCE IN FORCE**

Comprehensive General Liability	
Per Occurrence	2,000,000
Medical	2,500
Board of Education Liability	2,000,000
Boiler and Machinery	
\$1,000 Deductible	31,724,799
Building and Contents	
\$5,000 Deductible - ND State Fire and Tornado	56,239,488
Commercial Blanket Bond	2,000,000
Automobile Coverage	
Liability	2,000,000
Uninsured/Underinsured Per Person	100,000
Motorist Coverage Per Occurrence	300,000

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2019**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title		Federal CFDA Number	Pass-Through Number	Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Passed through North Dakota Department of Public Instruction				
School Breakfast Program	(Note 4)	10.553	N/A	\$ 76,073
National School Lunch Program	(Note 4)	10.555	N/A	260,694
Commodity Assistance for Schools	(Note 3,4)	10.555	N/A	<u>44,656</u>
Total Child Nutrition Cluster				381,423
Fresh Fruits and Vegetables Program		10.582	N/A	43,433
Child Nutrition Discretionary Grants		10.579	N/A	<u>275</u>
Total U.S. Department of Agriculture				425,131
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Passed through North Dakota Department of Public Instruction				
Title I - Grants to LEA's	(Note 4)	84.010	N/A	411,947
Title IV, Student Support and Academic Enrichment		84.424A	N/A	50,845
Title IIA - Teacher Principal Quality Training		84.367	N/A	114,799
Twenty-First Century Community Learning Centers		84.287	N/A	2,761
IDEA, Part B Special Education		84.027	N/A	364,311
IDEA, Part B Special Education - Preschool		84.173	N/A	<u>7,161</u>
Total Special Education Cluster				<u>371,472</u>
Total U.S. Department of Education				<u>951,824</u>
Total Expenditures of Federal Awards				<u>\$ 1,376,955</u>

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2019**

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**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal award activity of the Wahpeton Public School District No. 37 under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The amounts reported on the schedule have been reconciled to and are in agreement with amounts recorded in the accounting records from which the financial statements have been reported.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the applicable cost principles contained in Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or limited as to reimbursement. The Wahpeton Public School District No. 37 has not elected to use the 10-percent de minimis cost rate as allowed under the Uniform Guidance.

**NOTE 3 – NONCASH AWARDS**

Federal reimbursement is not based upon specified expenditures. Therefore, the amounts reported here represent cash value received rather than federal expenditures.

**NOTE 4 – MAJOR PROGRAM**

This represents a major federal financial assistance program.



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

School Board  
Wahpeton Public School District No. 37  
Wahpeton, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to finance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wahpeton Public School District No. 37, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Wahpeton Public School District No. 37's basic financial statements, and have issued our report thereon dated April 16, 2020.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Wahpeton Public School District No. 37'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 Wahpeton Public School District No. 37's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses (2019-001 and 2019-002).

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Wahpeton Public School District No. 37's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***District's Response to Findings***

Wahpeton Public School District No. 37's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Wahpeton Public School District No. 37's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***Purpose of this Report***

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



Nadine Julson, LLC  
Wahpeton, North Dakota  
April 16, 2020



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

School Board  
Wahpeton Public School District No. 37  
Wahpeton, North Dakota

***Report on Compliance for Each Major Federal Program***

We have audited the Wahpeton Public School District No. 37's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Wahpeton Public School District No. 37's major federal programs for the year ended June 30, 2019. The Wahpeton Public School District No. 37's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Wahpeton Public School District No. 37's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Wahpeton Public School District No. 37's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Wahpeton Public School District No. 37's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Wahpeton Public School District No. 37 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

### ***Report on Internal Control over Compliance***

Management of the Wahpeton Public School District No. 37 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Wahpeton Public School District No. 37's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Wahpeton Public School District No. 37's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Nadine Julson, LLC  
Wahpeton, North Dakota  
April 16, 2020



**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year ended June 30, 2019**

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

**Financial Statements**

Type of Report Issued:	Unmodified		
Internal Control Over Financial Reporting			
Material weakness identified?	<u>    X    </u> Yes	<u>          </u> No	
Significant deficiencies identified not considered to be material weaknesses?	<u>          </u> Yes	<u>    X    </u> None reported	
Noncompliance material to financial statements noted?	<u>          </u> Yes	<u>    X    </u> No	

**Federal Awards**

Internal Control Over Major Program			
Material weakness identified?	<u>          </u> Yes	<u>    X    </u> No	
Significant deficiency identified?	<u>          </u> Yes	<u>    X    </u> None reported	

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit finding disclosed that are required to be reported in accordance with 2 CDF 200.516(a)?	<u>          </u> Yes	<u>    X    </u> No
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CFDA Numbers	Name of Program or Cluster
84.010	Title I, Grants to LEA's
	<u>CHILD NUTRITION CLUSTER</u>
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	Commodity Assistance for Schools

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
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Auditee qualified as low-risk auditee?	<u>          </u> Yes	<u>    X    </u> No
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**SECTION II - FINANCIAL STATEMENT FINDINGS**

*2019-001 LACK OF SEGREGATION OF DUTIES*

**Criteria**

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

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Schedule of Findings and Questioned Costs - Continued**

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**Condition**

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

**Effect**

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the District's financial condition whether due to error or fraud.

**Recommendation**

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

**Views of Responsible Officials**

Agree. When possible the District will segregate duties to reduce the risk of fraud.

*2019-002 MATERIAL JOURNAL ENTRIES*

**Criteria**

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

**Condition**

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

**Effect**

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

**Recommendation**

It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

**Views of Responsible Officials**

The District has decided to accept the degree of risk associated with the District not preparing its own financial statements due to the time and expense necessary to have staff prepare the statements prior to the annual audit.

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Year ended June 30, 2019**

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**Prior Financial Statement Findings:**

*2018-001*

A material weakness was reported for a lack of segregation of duties.

**Corrective Action Plan**

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements. This material weakness continues to exist under the current audit findings as finding number 2019-001.

*2018-002*

A material weakness was reported for material journal entries.

**Corrective Action Plan**

The accounting functions should be reviewed to determine if it is feasible for the District to prepare its own financial statements. This material weakness continues to exist under the current audit findings as finding number 2019-002.