



***WILTON PUBLIC SCHOOL
DISTRICT NO. 1***

AUDIT REPORT

JUNE 30, 2020

Wilton Public School District No. 1
Wilton, North Dakota

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For The Year Ended June 30, 2020

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Wilton, North Dakota

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Wilton Public School District No. 1
Wilton, North Dakota
June 30, 2020

OFFICIALS

Misty Schafer	President
Nicole Schurhamer	Vice President
Jessica Oswald	Board Member
Duane Johnson	Board Member
Lodee Arnold	Board Member
Andrew Jordan	Superintendent
Jenna Kirchmeier	Business Manager

INDEPENDENT AUDITOR'S REPORT

Governing Board
Wilton Public School District No. 1
Wilton, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wilton Public School District No. 1, Wilton, North Dakota, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITOR'S REPORT

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Wilton Public School District No. 1, Wilton, North Dakota as of June 30, 2020, 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 District's share of net pension liability and employer contributions – ND Teachers' Fund for Retirement on page 36, the District's share of net pension liability and employer contributions – ND Public Employees Retirement System on page 37, the District's share of net OPEB liability and employer contributions – ND Public Employees Retirement System on page 38, the budgetary comparison information on page 39, and the notes to the required supplementary information on page 40-41 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.

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

INDEPENDENT AUDITOR'S REPORT

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2021, on our consideration of Wilton Public School District No. 1'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 Wilton Public School District No. 1's internal control over financial reporting and compliance.

Haga Kommer, Ltd.

Haga Kommer, Ltd.
Mandan, North Dakota
April 15, 2021

Wilton Public School District No. 1

Statement of Net Position

June 30, 2020

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 1,501,197
Intergovernmental Receivable, Net	150,480
Due from County Treasurer	4,453
Taxes Receivable, Net	37,875
Capital Assets	
Total Capital Assets, Net of Depreciation	<u>3,441,247</u>
TOTAL ASSETS	<u>5,135,252</u>
DEFERRED OUTFLOWS OF RESOURCES	
Derived from Pensions and OPEB	781,259
LIABILITIES	
Accounts Payable	84,123
Long-Term Liabilities	
Due Within One Year:	
ESG Financing	109,339
Due After One Year:	
Net Pension and OPEB Liability	3,287,371
ESG Financing	942,158
Compensated Absences	<u>3,120</u>
Total Liabilities	<u>4,426,111</u>
DEFERRED INFLOWS OF RESOURCES	
Derived from Pensions and OPEB	385,742
NET POSITION	
Net Investment in Capital Assets	2,389,750
Unrestricted	<u>(1,285,092)</u>
TOTAL NET POSITION	<u>\$ 1,104,658</u>

Wilton Public School District No. 1
Statement of Activities
For the Year Ended June 30, 2020

							Net (Expense) Revenue & Changes in Net
		Program Revenues		Position			
		Charges for Services	Operating Grants & Contributions				Governmental Activities
		Expenses					
Functions/Programs							
Governmental Activities							
Regular Instruction	\$ 1,547,137	\$ 51,504	\$ -	\$ (1,495,633)			
Federal Programs	94,235	-	109,866	15,631			
Special Education	311,036	-	-	(311,036)			
Vocational Education	166,275	-	-	(166,275)			
District Wide Services	113,150	-	17,276	(95,874)			
Administration	572,082	-	-	(572,082)			
Operations and Maintenance	424,133	-	-	(424,133)			
Student Transportation	211,202	-	-	(211,202)			
Student Activities	154,499	-	-	(154,499)			
Food Services	166,591	62,172	42,490	(61,929)			
Adult Education/Community Services	68,709	-	-	(68,709)			
Interest on Long-Term Debt	36,653	-	-	(36,653)			
Total Primary Government	<u>\$ 3,865,702</u>	<u>\$ 113,676</u>	<u>\$ 169,632</u>	<u>(3,582,394)</u>			
 General Revenues:							
Taxes:							
Property Taxes, Levied for General Purpose							941,328
Property Taxes, Levied for Special Reserve							37,732
Property Taxes, Levied for Capital Projects							104,582
Other County Sources							40,727
Oil & Gas Production Taxes							19,801
Coal Severance Taxes							47,174
Coal Conversion Taxes							14,009
State Aid							2,154,431
Unrestricted Investment Earnings							18,880
Community Service Activities							3,989
Other Revenues							12,169
Total General Revenues							<u>3,394,822</u>
Change in Net Position							(187,572)
Net Position - Beginning of Year							<u>1,292,230</u>
Net Position - End of Year							<u>\$ 1,104,658</u>

Wilton Public School District No. 1
 Balance Sheet - Governmental Funds
 June 30, 2020

	Major Fund		Other Governmental Funds	Total Governmental Funds
	General	Building		
ASSETS				
Cash and Cash Equivalents	\$ 816,795	\$ 516,173	\$ 168,229	\$ 1,501,197
Intergovernmental Receivable, Net	146,963	-	3,517	150,480
Due from County Treasurer	3,875	420	158	4,453
Taxes Receivable, Net	33,035	3,495	1,345	37,875
TOTAL ASSETS	\$ 1,000,668	\$ 520,088	\$ 173,249	\$ 1,694,005
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 84,123	\$ -	\$ -	\$ 84,123
Total Liabilities	84,123	-	-	84,123
Deferred Inflows of Resources:				
Unavailable Revenue	33,035	3,495	1,345	37,875
Total Liabilities and Deferred Inflows of Resources	117,158	3,495	1,345	121,998
Fund Balances:				
Assigned, Reported In:				
Capital Projects	-	516,593	-	516,593
Food Service	-	-	35,228	35,228
Special Reserve	-	-	136,676	136,676
Unassigned	883,510	-	-	883,510
Total Fund Balances	883,510	516,593	171,904	1,572,007
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,000,668	\$ 520,088	\$ 173,249	\$ 1,694,005

Wilton Public School District No. 1
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
 For the Year Ended June 30, 2020

Total fund balances - governmental funds	\$ 1,572,007
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Amounts reported for *governmental activities* in the statement of net position are different because:

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

Cost of Capital Assets	\$ 6,105,261
Accumulated Depreciation	<u>(2,664,014)</u>
Net Capital Assets	3,441,247

Deferred outflows of resources are not a financial resource available for the current period and, therefore, are not reported in the governmental funds balance sheet.

781,259

The net pension and OPEB liability is not due and payable in the current period and, therefore, is not reported in the governmental funds balance sheet.

(3,287,371)

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.

(385,742)

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

37,875

Some liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Compensated Absences Payable	(3,120)
ESG Financing	<u>(1,051,497)</u>
Total Long-Term Liabilities	<u>(1,054,617)</u>

Net position of governmental activities	\$ 1,104,658
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Wilton Public School District No. 1
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the year ended June 30, 2020

	Major Fund			Other Governmental Funds	Total Governmental Funds		
			Building				
	General						
REVENUES							
Property Taxes	\$ 938,179	\$ 103,678	\$ 37,648	\$ 1,079,505			
County Sources	35,586	3,729	1,412	40,727			
Oil, Gas, and Coal Funding	80,984	-	-	80,984			
Tuition Charges	51,504	-	-	51,504			
Fees and Charges	11,210	-	62,172	73,382			
State Aid	2,154,431	-	892	2,155,323			
Federal Aid	109,866	-	41,598	151,464			
Earnings on Investments	12,657	4,842	1,381	18,880			
Community Service Activities	3,989	-	-	3,989			
Miscellaneous	18,235	-	-	18,235			
TOTAL REVENUES	3,416,641	112,249	145,103	3,673,993			
EXPENDITURES							
Current:							
Regular Education Programs	1,480,502	-	-	1,480,502			
Title I	71,426	-	-	71,426			
Title II	2,500	-	-	2,500			
Other Federal Programs	20,309	-	-	20,309			
Instructional Media Service	59,139	-	-	59,139			
School Board	88,338	-	-	88,338			
Executive Administration	248,949	-	-	248,949			
Supportive Service - Business	98,205	-	-	98,205			
Operation & Maintenance	305,824	-	-	305,824			
Other Programs & Services	113,150	-	-	113,150			
Student Activities	144,547	-	-	144,547			
Student Transportation	192,912	-	-	192,912			
Construction Services	4,364	42,539	-	46,903			
Vocational Education	166,275	-	-	166,275			
Special Education	311,036	-	-	311,036			
Food Service	45,667	-	120,924	166,591			
Adult Education/Community Services	68,709	-	-	68,709			
Debt Service:							
Principal	105,881	-	-	105,881			
Interest	36,653	-	-	36,653			
TOTAL EXPENDITURES	3,564,386	42,539	120,924	3,727,849			
Excess (Deficiency) of Revenues Over (Under) Expenditures	(147,745)	69,710	24,179	(53,856)			
OTHER FINANCING SOURCES (USES)							
Transfers In (Out)	70,000	-	(70,000)	-			
Total Other Financing Sources (Uses)	70,000	-	(70,000)	-			
NET CHANGE IN FUND BALANCES	(77,745)	69,710	(45,821)	(53,856)			
Fund Balances - July 1, 2019	961,255	446,883	217,725	1,625,863			
FUND BALANCES - JUNE 30, 2020	\$ 883,510	\$ 516,593	\$ 171,904	\$ 1,572,007			

Wilton Public School District No. 1
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities
 For the year ended June 30, 2020

Net change in fund balances - total governmental funds	\$ (53,856)
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The change in net position reported for governmental activities in the statement of activities is different because:

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

Current Year Capital Outlay	\$ 217,310
Current Year Depreciation Expense	<u>(254,422)</u> (37,112)

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

4,137

Compensated absences is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Compensated absences increased by this amount this year.

(50)

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

(206,572)

The proceeds of debt issuances are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which debt proceeds exceeded repayment of debt.

Repayment of Debt	<u>105,881</u>
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Change in net position of governmental activities	<u>\$ (187,572)</u>
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Wilton Public School District No. 1
Statement of Assets and Liabilities - Fiduciary Funds
June 30, 2020

Wilton-Wing Co-op

ASSETS

Cash and Cash Equivalents	\$ 64,470
TOTAL ASSETS	<u>\$ 64,470</u>

LIABILITIES

Due to Co-op	\$ 64,470
TOTAL LIABILITIES	<u>\$ 64,470</u>

Wilton Public School District No. 1
Statement of Assets and Liabilities - Fiduciary Funds
June 30, 2020

Agency Funds

ASSETS

Cash and Cash Equivalents	\$ 142,614
Capital Assets (Net)	<u>6,881</u>
TOTAL ASSETS	<u>\$ 149,495</u>

LIABILITIES

Due to Student Activities Groups	\$ 149,495
TOTAL LIABILITIES	<u>\$ 149,495</u>

WILTON PUBLIC SCHOOL DISTRICT NO. 1

Notes to Basic Financial Statements

June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wilton Public School District No. 1 complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. Reporting Entity

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

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

The District receives funding from local, county, state and federal government sources and must comply with the concomitant requirements of these funding source entities. But, based upon the criteria of Statement No. 14, there are no component units to be included within the District as a reporting entity and the District is not includable as a component unit within another reporting entity.

B. Basis of Presentation

Government-wide Financial Statements:

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

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

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Separate statements are presented for governmental, proprietary and fiduciary activities. The District has no proprietary activities at this time. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

WILTON PUBLIC SCHOOL DISTRICT NO. 1

Notes to Basic Financial Statements

June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The District has presented the following major funds:

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

Building Fund: The building fund is used to account for taxes assessed and expended for building projects.

The agency fund accounts for assets held by the District in a purely custodial capacity and are not included in the government-wide statements. Since the agency fund is custodial in nature, it does not involve the measurement of results of operations. The District has two agency funds which account for monies due to student groups and others.

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when transactions are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

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

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

WILTON PUBLIC SCHOOL DISTRICT NO. 1

Notes to Basic Financial Statements

June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Interfund Transactions

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

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 expenditure in the fund that is reimbursed.

E. Encumbrance Accounting

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

F. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of amounts in demand deposits, savings accounts, and certificates of deposit with a maturity of three months or less when purchased.

G. Inventory

A food inventory for the Food Service Fund is not recorded at year end because it is immaterial. School supplies are considered to be an expense in the year they are appropriated.

H. Capital Assets

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

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

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

WILTON PUBLIC SCHOOL DISTRICT NO. 1

Notes to Basic Financial Statements

June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

I. Compensated Absences

The District adopted a policy allowing staff with a minimum of 12 years of service with the District to be paid for unused sick leave. The District's personnel policy requires a payout of \$20 for each day up to a maximum of \$1,000 for employees with a minimum of 12 years of service. For those employees that have been with the District for a minimum of 15 years of service, the maximum payment would extend to \$1,250 based on \$20 a day.

A long-term liability for accrued leave as of June 30 has been recorded in the government-wide statements.

J. Net Position

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

K. Fund Balance Classifications

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

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

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

Committed – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the school board – the District's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the school board removed the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

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

WILTON PUBLIC SCHOOL DISTRICT NO. 1

Notes to Basic Financial Statements

June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

L. Deferred Inflows of Resources and Deferred Outflows of Resources

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

In addition to assets, the statement of net position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. See Note 7 for additional information.

M. Pensions

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

N. Other Post Employment Benefit (OPEB)

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

NOTE 2 DEPOSITS - CASH AND INVESTMENTS

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

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

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the state of North Dakota, its boards, agencies, or instrumentalities, or by any county, city, township, school district, park district, or other political subdivision of the state of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing entity, and bonds issued by any other state of the United States or such other securities approved by the banking board.

WILTON PUBLIC SCHOOL DISTRICT NO. 1
Notes to Basic Financial Statements
June 30, 2020

NOTE 2 DEPOSITS - CASH AND INVESTMENTS – CONTINUED

Custodial Credit Risk

As of June 30, 2020, the District's carrying balances were \$1,501,197 for governmental funds and \$207,084 for agency funds.

The bank balance of these deposits as of June 30, 2020 was \$2,061,542. The difference results from checks outstanding or deposits not yet processed. Of the bank balances, \$250,000 was covered by Federal Depository Insurance and \$1,766,542 was collateralized with securities held by the pledging financial institutions' agent not in the District's name.

Credit Risk and Interest Rate Risk

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

- a. Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress.
- b. Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- c. Certificates of deposit fully insured by the federal deposit insurance corporation.
- d. Obligations of the state.
- e. Commercial paper issued by a United States corporation rated in the highest quality category by at least two nationally recognized rating agencies and matures in two hundred seventy days or less.

NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with GASB Statement No. 72, assets, deferred outflows of resources, liabilities and deferred inflows of resources are grouped at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques use of option pricing models, discounted cash flow models and similar techniques.

The District has no items reported at fair value.

WILTON PUBLIC SCHOOL DISTRICT NO. 1

Notes to Basic Financial Statements

June 30, 2020

NOTE 4 PROPERTY TAX

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

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

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

NOTE 5 CAPITAL ASSETS

The following is a summary of changes in capital assets and accumulated depreciation for the year ended June 30, 2020:

	June 30, 2019	Increases	Decreases	June 30, 2020
Capital assets being depreciated				
Buildings	\$ 2,365,078	\$ -	\$ -	\$ 2,365,078
Buses	621,704	43,657	-	665,361
Equipment	639,745	149,500	-	789,245
Building Improvements	2,261,424	24,153	-	2,285,577
Total capital assets, being depreciated	5,887,951	217,310	-	6,105,261
Less accumulated depreciation for				
Buildings	1,115,567	33,787	-	1,149,354
Buses	368,362	61,947	-	430,309
Equipment	441,921	63,129	-	505,050
Building Improvements	483,742	95,559	-	579,301
Total accumulated depreciation	2,409,592	254,422	-	2,664,014
Total capital assets, net	\$ 3,478,359	\$ (37,112)	\$ -	\$ 3,441,247

Depreciation expense for the year ended June 30, 2020 was \$254,422 and is reported in the government-wide statement of activities. Depreciation charged to regular instruction is \$86,964, student transportation is \$61,947, operations & maintenance is \$95,559, and student activities is \$9,952.

WILTON PUBLIC SCHOOL DISTRICT NO. 1
Notes to Basic Financial Statements
June 30, 2020

NOTE 6 LONG-TERM DEBT

The following is a summary of long-term debt activity for the year ended June 30, 2020:

	Balance		Balance		Due Within
	6/30/19	Increases	Decreases	6/30/20	One Year
ESG Financing	\$ 1,157,378	\$ -	\$ (105,881)	\$ 1,051,497	\$ 109,339
Compensated Absences *	3,070	50	-	3,120	-
Total	\$ 1,160,448	\$ 50	\$ (105,881)	\$ 1,054,617	\$ 109,339

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

Principal required for the bonds are as follows:

For the year ended June 30,	Principal	Interest
2021	\$ 109,340	\$ 33,195
2022	112,911	29,624
2023	116,599	25,936
2024	120,407	22,128
2025	124,340	18,194
2026-2029	467,900	30,816
Total	\$ 1,051,497	\$ 159,893

Long-term debt payable includes the following issues:

ESG Financing

\$1,655,951 ESG Financing; due in semi-annual installments of \$71,267 through July 2028; interest at 3.24%. \$ 1,051,497

WILTON PUBLIC SCHOOL DISTRICT NO. 1

Notes to Basic Financial Statements

June 30, 2020

NOTE 7 DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (PENSIONS & OPEB)

Details of the Deferred Outflows of Resources and Deferred Inflows of Resources on the face of the government-wide financial statements as of June 30, 2020 are as follows:

Deferred Outflows of Resources	
Derived from pension - TFFR	\$ 460,902
Derived from pension - NDPERS	306,120
Derived from pension - OPEB	14,237
Total	<u><u>\$ 781,259</u></u>

Deferred Inflows of Resources	
Derived from pension - TFFR	\$ 152,598
Derived from pension - NDPERS	232,231
Derived from pension - OPEB	913
Total	<u><u>\$ 385,742</u></u>

Note 8 of the financial statements contain details of the pension plans.

Details of the Deferred Inflows of Resources on the face of the governmental fund financial statements as of June 30, 2020 are as follows:

Deferred Inflows of Resources	
Unavailable Revenue	<u><u>\$ 37,875</u></u>

NOTE 8 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)1. 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.

WILTON PUBLIC SCHOOL DISTRICT NO. 1

Notes to Basic Financial Statements

June 30, 2020

NOTE 8

PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

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 must 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.

WILTON PUBLIC SCHOOL DISTRICT NO. 1

Notes to Basic Financial Statements

June 30, 2020

NOTE 8 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

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 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. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

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

At June 30, 2020, the District reported a liability of \$2,817,760 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2019, 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 pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2019, the District's proportion was 0.20459276%, which was an increase of 0.00671121% from its proportion measures as July 1, 2018.

WILTON PUBLIC SCHOOL DISTRICT NO. 1

Notes to Basic Financial Statements

June 30, 2020

NOTE 8 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

For the year ended June 30, 2020, the District recognized pension expense of \$321,803. At June 30, 2020, 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	\$ 4,023	\$ 101,694
Changes of assumptions	100,148	-
Net difference between projected and actual earnings on pension plan investments	39,663	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	124,388	50,904
Employer contributions subsequent to the measurement date (see below)	<u>192,680</u>	<u>-</u>
Total	\$ 460,902	\$ 152,598

\$192,680 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pensions liability in the year ended June 30, 2021.

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>For the year ended June 30,</u>	
2021	\$ 82,832
2022	15,958
2023	6,152
2024	17,900
2025	(12,781)
Thereafter	5,564

Actuarial Assumptions

The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary Increases	4.25% to 14.50% varying by service, including inflation and productivity
Investment rate of return	7.75%, net of investment expenses
Cost-of-living adjustments	None

WILTON PUBLIC SCHOOL DISTRICT NO. 1

Notes to Basic Financial Statements

June 30, 2020

NOTE 8 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

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, 2019, funding actuarial valuation for TFFR.

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

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

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 as of July 1, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58%	6.9%
Global Fixed Income	23%	2.1%
Global Real Assets	18%	5.4%
Cash Equivalents	1%	0.0%

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2019. 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, 2019, 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, 2019. 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, 2019.

WILTON PUBLIC SCHOOL DISTRICT NO. 1

Notes to Basic Financial Statements

June 30, 2020

NOTE 8 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUEDSensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Employer's proportionate share of the net pension liability	\$ 3,805,414	\$ 2,817,760	\$ 1,996,995

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report. TFFR's Comprehensive Annual Financial Report (CAFR) is located at www.nd.gov/rio/sib/publications/cafr/default.htm.

2. North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

WILTON PUBLIC SCHOOL DISTRICT NO. 1

Notes to Basic Financial Statements

June 30, 2020

NOTE 8 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

WILTON PUBLIC SCHOOL DISTRICT NO. 1

Notes to Basic Financial Statements

June 30, 2020

NOTE 8 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2020, the District reported a liability of \$441,414 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and 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, 2019, the District's proportion was 0.037661%, which is an increase of .006376% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$107,110. At June 30, 2020, 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	\$ 260	\$ 80,108
Changes of assumptions	164,945	141,619
Net difference between projected and actual earnings on pension plan investments	7,691	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	103,761	10,504
Employer contributions subsequent to the measurement date (see below)	<u>29,463</u>	<u>-</u>
Total	\$ 306,120	\$ 232,231

\$29,463 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

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

<u>For the year ended June 30,</u>	
2021	\$ 41,439
2022	31,183
2023	4,173
2024	(23,397)
2025	(8,972)
Thereafter	-

WILTON PUBLIC SCHOOL DISTRICT NO. 1

Notes to Basic Financial Statements

June 30, 2020

NOTE 8 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

Actuarial Assumptions

The total pension liability in the July 1, 2019 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
	<hr/>
	0
	1
	2
	3
	4
	<hr/> Age
	Under 30
	30-39
	40-49
	50-59
	60+

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.25%
International Equity	21%	6.95%
Private Equity	7%	10.15%
Domestic Fixed Income	23%	2.11%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.41%
Cash Equivalents	0%	0.00%

WILTON PUBLIC SCHOOL DISTRICT NO. 1

Notes to Basic Financial Statements

June 30, 2020

NOTE 8 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

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 7.50%; the municipal bond rate is 3.13% and the resulting Single Discount Rate is 7.50%.

Sensitivity of the Employer'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 7.50 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	Current Discount		
	1% Decrease (6.50%)	Rate (7.50%)	1% Increase (8.50%)
Employer's proportionate share of the net pension liability	\$ 632,893	\$ 441,414	\$ 280,539

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report. That report may be obtained by writing to NDPERS; 400 East Broadway, Suite 505; PO Box 1657; Bismarck, ND 58502-1657.

WILTON PUBLIC SCHOOL DISTRICT NO. 1

Notes to Basic Financial Statements

June 30, 2020

NOTE 8 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

3. North Dakota Public Employees Retirement System (OPEB)

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

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

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

OPEB Benefits

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

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

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

WILTON PUBLIC SCHOOL DISTRICT NO. 1

Notes to Basic Financial Statements

June 30, 2020

NOTE 8 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

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

At June 30, 2020 the District reported a liability of \$28,197 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, 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, 2019, the District's proportion was 0.035107 percent, which was an increase of 0.005735 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020 the District recognized OPEB expense of \$4,800. At June 30, 2020, 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	\$ 697	\$ 881
Changes of assumptions	3,361	-
Net difference between projected and actual earnings on OPEB plan investments	31	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,682	32
Employer contributions subsequent to the measurement date (see below)	4,466	-
Total	\$ 14,237	\$ 913

\$4,466 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, 2021.

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>For the year ended June 30,</u>
2021	\$ 1,485
2022	1,747
2023	1,699
2024	1,411
2025	877
Thereafter	154

WILTON PUBLIC SCHOOL DISTRICT NO. 1

Notes to Basic Financial Statements

June 30, 2020

NOTE 8 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

Actuarial assumptions

The total OPEB liability in the July 1, 2019 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	7.25%, 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, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	6.00%
Small Cap Domestic Equities	6%	7.30%
Domestic Fixed Income	40%	2.07%
International Equities	21%	6.95%

Discount rate

The discount rate used to measure the total OPEB liability was 7.5%. 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, 2018, and July 1, 2017, 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.

WILTON PUBLIC SCHOOL DISTRICT NO. 1

Notes to Basic Financial Statements

June 30, 2020

NOTE 8 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

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

The following presents the net OPEB liability of the Plans as of June 30, 2019, calculated using the discount rate of 7.25%, 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	Current Discount		
	1% Decrease (6.25%)	Rate (7.25%)	1% Increase (8.25%)
Employer's proportionate share of the net OPEB liability	\$ 35,990	\$ 28,197	\$ 21,527

NOTE 9 RISK MANAGEMENT

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

In 1986, the state and other political subdivisions 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. All members paid an additional charge the first year they joined to help capitalize the NDIRF. In 1991 the NDIRF returned 20% of the capitalized amount with a premium reduction or cash payment to the District. The District pays an annual premium to NDIRF for its general insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence.

The District 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 \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the District with blanket fidelity bond coverage in the amount of \$1,100,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The District continues to carry commercial insurance for all other risks of loss, including workers' compensation, North Dakota fire and tornado fund, and employee health and accident insurance. Any settled claims from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 10 INTERGOVERNMENTAL RECEIVABLES

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

NOTE 11 EXPENSES IN EXCESS OF BUDGET

For the fiscal year ended June 30, 2020, the general fund expenditures were in excess of budget on several line items but as a whole, expenditures were under budget by \$51,308. No remedial action is anticipated.

WILTON PUBLIC SCHOOL DISTRICT NO. 1

Notes to Basic Financial Statements

June 30, 2020

NOTE 12 TAX ABATEMENTS

Wilton Public School District No. 1 and political subdivisions within McLean County can negotiate property tax abatement agreements with individuals and various commercial entities/businesses. The school district will state individually the parties whom received a benefit of the reduction in taxes of 20% or greater when compared to the total reduction of taxes for all tax abatement programs. No such abatements existed as of June 30, 2020.

***REQUIRED
SUPPLEMENTARY INFORMATION***

WILTON PUBLIC SCHOOL DISTRICT NO. 1
Required Supplementary Information
For the Year Ended June 30, 2020

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

	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.20459276%	0.19788155%	0.20350914%	0.19799737%	0.196259%	0.195459%
Employer's proportionate share of the net pension liability (asset)	\$ 2,817,760	\$ 2,637,481	\$ 2,795,250	\$ 2,900,777	\$ 2,566,784	\$ 2,048,064
Employer's covered-employee payroll	\$ 1,435,276	\$ 1,345,217	\$ 1,373,628	\$ 1,286,438	\$ 1,207,198	\$ 1,133,768
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	196.32%	196.06%	203.49%	225.49%	212.62%	180.64%
Plan fiduciary net position as a percentage of the total pension liability	65.5%	65.5%	63.2%	59.2%	62.1%	66.6%

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

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

	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 192,680	\$ 182,997	\$ 171,515	\$ 175,138	\$ 164,021	\$ 153,918
Contributions in relation to the statutorily required contribution	\$ (192,680)	\$ (182,997)	\$ (171,515)	\$ (175,138)	\$ (164,021)	\$ (153,918)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered-employee payroll	\$ 1,511,218	\$ 1,435,276	\$ 1,345,217	\$ 1,286,438	\$ 1,207,198	\$ 1,133,768
Contributions as a percentage of covered-employee payroll	12.75%	12.75%	12.75%	12.75%	12.75%	10.75%

* Complete data for this schedule is not available prior to 2014.

Data reported is measured as of 7/0/2019, 7/1/2018, 7/1/2017, 7/1/2016, 7/1/2015 and 7/1/2014.

WILTON PUBLIC SCHOOL DISTRICT NO. 1
Required Supplementary Information
For the Year Ended June 30, 2020

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

	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.037661%	0.031285%	0.026720%	0.029355%	0.021494%	0.022533%
Employer's proportionate share of the net pension liability (asset)	\$ 441,414	\$ 527,969	\$ 429,478	\$ 286,093	\$ 146,156	\$ 143,022
Employer's covered-employee payroll	\$ 391,740	\$ 321,393	\$ 272,769	\$ 295,834	\$ 191,489	\$ 189,816
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	112.68%	164.28%	157.45%	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	71.66%	62.80%	61.98%	70.46%	77.15%	77.70%

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

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

	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 28,521	\$ 23,672	\$ 19,779	\$ 21,418	\$ 14,545	\$ 13,515
Contributions in relation to the statutorily required contribution	\$ (26,193)	\$ (24,151)	\$ (19,454)	\$ (19,088)	\$ (16,983)	\$ (13,515)
Contribution deficiency (excess)	\$ 2,328	\$ (479)	\$ 325	\$ 2,330	\$ (2,438)	\$ -
Employer's covered-employee payroll	\$ 391,740	\$ 321,393	\$ 272,769	\$ 295,834	\$ 191,489	\$ 189,816
Contributions as a percentage of covered-employee payroll	6.69%	7.51%	7.13%	6.45%	7.60%	7.12%

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

Data reported is measured as of 7/1/2019 ,7/1/2018, 7/1/2017, 7/01/2016, 7/1/2015 and 7/1/2014.

WILTON PUBLIC SCHOOL DISTRICT NO. 1

Required Supplementary Information

For the Year Ended June 30, 2020

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

	2020	2019	2018
Employer's proportion of the net OPEB liability (asset)	0.035107%	0.029372%	0.025213%
Employer's proportionate share of the net OPEB liability (asset)	\$ 28,197	\$ 23,132	\$ 19,944
Employer's covered-employee payroll	\$ 391,740	\$ 321,393	\$ 272,769
Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	7.20%	7.20%	7.31%
Plan fiduciary net position as a percentage of the total OPEB liability	63.13%	61.89%	59.78%

* Complete data for this schedule is not available prior to 2017.

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

	2020	2019	2018
Statutorily required contribution	\$ 4,556	\$ 3,770	\$ 3,171
Contributions in relation to the statutorily required contribution	\$ (4,194)	\$ (3,867)	\$ (3,115)
Contribution deficiency (excess)	\$ 362	\$ (97)	\$ 56
Employer's covered-employee payroll	\$ 391,740	\$ 321,393	\$ 272,769
Contributions as a percentage of covered-employee payroll	1.07%	1.20%	1.14%

* Complete data for this schedule is not available prior to 2017.

Data reported is measured as of 7/1/2019, 7/1/2018, 7/1/2017.

Wilton Public School District No. 1
 Budgetary Comparison Schedule
 General Fund
 For the year ended June 30, 2020

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Property Taxes	\$ 923,849	\$ 949,864	\$ 938,179	\$ (11,685)
County Sources	25,500	25,500	35,586	10,086
Oil, Gas, and Coal Funding	83,000	83,000	80,984	(2,016)
Tuition Charges	2,800	2,800	51,504	48,704
Fees and Charges	5,000	5,000	11,210	6,210
State Aid	2,115,636	2,115,636	2,154,431	38,795
Federal Aid	92,403	110,976	109,866	(1,110)
Earnings on Investments	17,000	17,000	12,657	(4,343)
Community Service Activities	4,500	4,500	3,989	(511)
Miscellaneous	30,700	30,700	18,235	(12,465)
TOTAL REVENUES	3,300,388	3,344,976	3,416,641	71,665
EXPENDITURES				
Current:				
Regular Education Programs	1,543,522	1,543,322	1,480,502	62,820
Title I	48,903	66,426	71,426	(5,000)
Title II	-	2,500	2,500	-
Other Federal Programs	10,000	5,000	20,309	(15,309)
Instructional Media Service	62,306	62,306	59,139	3,167
School Board	90,315	90,315	88,338	1,977
Executive Administration	254,282	255,027	248,949	6,078
Supportive Service - Business	96,300	97,046	98,205	(1,159)
Operation & Maintenance	296,642	301,642	305,824	(4,182)
Other Programs & Services	58,250	129,668	113,150	16,518
Student Activities	133,935	120,963	144,547	(23,584)
Student Transportation	206,507	206,507	192,912	13,595
Construction Services	-	-	4,364	(4,364)
Vocational Education	174,462	174,462	166,275	8,187
Special Education	287,903	287,902	311,036	(23,134)
Food Service	41,075	41,075	45,667	(4,592)
Adult Education/Community Services	88,999	88,999	68,709	20,290
Debt Service:				
Principal	142,534	142,534	105,881	36,653
Interest	-	-	36,653	(36,653)
TOTAL EXPENDITURES	3,535,935	3,615,694	3,564,386	51,308
Excess (Deficiency) of Revenues Over (Under) Expenditures	(235,547)	(270,718)	(147,745)	122,973
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	-	70,000	70,000	-
Total Other Financing Sources (Uses)	-	70,000	70,000	-
NET CHANGE IN FUND BALANCES	(235,547)	(200,718)	(77,745)	122,973
Fund Balances - July 1, 2019	961,255	961,255	961,255	-
FUND BALANCES - JUNE 30, 2020	\$ 725,708	\$ 760,537	\$ 883,510	\$ 122,973

Wilton Public School District No. 1
Notes to Required Supplementary Information
June 30, 2020

NOTE 1 ND 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% to 7.75%.
- Inflation assumption lowered from 3% to 2.75%.
- Total salary scale rates lowered by 0.25% due to lower inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

NOTE 2 ND PUBLIC EMPLOYEES RETIREMENT SYSTEM MAIN

Changes of benefit terms:

The interest rate earned on member contributions will decrease from 7.25 percent to 7.00 percent effective January 1, 2020 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

Changes of assumptions:

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.75% to 7.50%.

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.

NOTE 3 ND PUBLIC EMPLOYEES RETIREMENT SYSTEM OPEB

Changes of benefit terms:

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

Wilton Public School District No. 1
Notes to Required Supplementary Information
June 30, 2020

NOTE 3 ND PUBLIC EMPLOYEES RETIREMENT SYSTEM OPEB – CONTINUED

Changes of assumptions:

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.50% to 7.25%.

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.

NOTE 4 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

- The annual budget must be prepared and school district taxes must be levied on or before August 15 each year.
- The taxes levied must be certified to the county auditor by August 25.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the business manager at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- The balance of each appropriation becomes a part of the unappropriated fund balance at year-end.

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

Governing Board
Wilton Public School District No. 1
Wilton, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wilton Public School District No. 1 as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Wilton Public School District No. 1's basic financial statements and have issued our report thereon dated April 15, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wilton Public School District No. 1'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 Wilton Public School District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of Wilton Public School District No. 1's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We consider deficiencies 2020-001, 2020-002 and, 2020-003 described in the accompanying schedule of findings to be significant deficiencies.

**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***

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wilton Public School District No. 1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Wilton Public School District No. 1's Response to Findings

Wilton Public School District No. 1's responses to the findings identified in our audit are described in the accompanying schedule of findings. Wilton Public School District No. 1's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Haga Kommer, Ltd.

Haga Kommer, Ltd.
Mandan, North Dakota
April 15, 2021

WILTON PUBLIC SCHOOL DISTRICT NO. 1

Schedule of Findings
For the Year Ended June 30, 2020

2020-001 Segregation of Duties

Condition – The District has lack of segregation of duties in certain areas due to a limited staff.

Criteria – A good system of internal accounting control contemplates an adequate segregation of duties so that no individual handles or has access to a transaction from inception to completion.

Cause – There are limited individuals to perform tasks due to the small size of the entity and it is not economically feasible to further segregate duties.

Effect – Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely manner by employees in the normal course of performing their assigned functions.

Recommendation – Board members should periodically review documentation supporting individual transactions and add staff when feasible.

Management's Response – The District is aware of the limitations and will add controls where feasible.

2020-002 Preparation of Financial Statements

Condition – The financial statements and related notes are prepared by the District's auditors.

Criteria – Management is responsible for the preparation and fair presentation of the financial statements in conformity with generally accepted accounting principles.

Cause – Limited time and resources of the District to prepare the financial statements in the format required by generally accepted accounting principles.

Effect – An increased risk of material misstatement in the District's financial statements.

Recommendation – The board should review the financial statements for accuracy and accept responsibility for the preparation and fair presentation of the GAAP financial statements even if the auditor assisted in drafting the financial statements and notes.

Management's Response – The District is aware that someone needs to review the audit report each year to make sure the financial statements and note disclosures are a fair presentation for the District.

WILTON PUBLIC SCHOOL DISTRICT NO. 1

Schedule of Findings
For the Year Ended June 30, 2020

2020-003 Journal Entries

Condition – Several journal entries were required to be made during the audit to present accurate financial statements.

Criteria – The District is required to establish internal controls and procedures which allow it to determine that the general ledger accounts are properly reflected according to generally accepted accounting policies.

Cause – The District does not record the pension and capital asset government-wide entries in the school accounting system.

Effect – The amount of journal entries made has a material effect on the financial statements.

Recommendation – The District should accumulate the information for the government-wide adjustments for the audit.

Management's Response – Management will review the entries proposed by the auditors for the government-wide adjustments for capital assets and pension.