

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

AUDITED FINANCIAL STATEMENTS
Year Ended June 30, 2021

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

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June 30, 2021

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WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

OFFICIAL DIRECTORY
June 30, 2021

Damon DeVillers	President
Art Nelson	Vice-President
Susan Rittenour	Board Member
Ginny Buck	Board Member
Mike Hauschild	Board Member
Jake Kubela	Board Member
Brad Bakken	Board Member
Scott Thiel	Board Member
Kathy Dimmer	Board Member
Rick Jacobson	Superintendent
Danica Sinner	Business Manager



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wahpeton Public School District No. 37, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Wahpeton Public School District No. 37's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Wahpeton Public School District No. 37's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wahpeton Public School District No. 37, as of June 30, 2021 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.

Emphasis of Matter

As described in Note 21 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. As discussed in Note 15 to the financial statements, the District has restated the previously reported Net Position and Fund Balances in accordance with this statement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information – general fund, schedules of employer's proportionate share of net pension liability, schedules of employer contributions, and notes to required supplementary information, as listed on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2022 on our consideration of Wahpeton Public School District No. 37's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wahpeton Public School District No. 37's internal control over financial reporting and compliance.



Nadine Julson, LLC
Wahpeton, ND
June 13, 2022

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

The Management's Discussion and Analysis (MD&A) of Wahpeton Public School District No. 37's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2021, with comparative data for the fiscal year ended June 30, 2020. The intent of the MD&A is to look at the District's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

Financial Highlights

Key financial highlights for the fiscal year ended June 30, 2021 are as follows:

The School District received 99.86% of projected revenue and expended 97.11% of projected expenditures, ending the fiscal year with a general fund unassigned balance of \$4,738,445. As a result, the School District will begin the 2020-2021 year with a fund balance of 20.8% of its budget. The carryover of the fund balance is used for cash flow purposes until property taxes and state foundation aid are received during the school year.

Using this Annual Report

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

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

Reporting on the District as a Whole

Statement of Net Position and Statement of Activities

These statements are summaries of all the funds used by the Wahpeton Public School District No. 37 to provide programs and activities and attempt to answer the question "How did the District do financially during the year ended June 30, 2021?"

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

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

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

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

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

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

Reporting on the District's Most Significant Funds

Balance Sheet - Governmental Funds

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

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

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

In addition, the District has the following fund type:

Proprietary Fund

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-41 of this report.

The combining statements referred to earlier in connection with non-major government funds can be found on pages 48-49 of this report.

Financial Analysis of the District as a Whole

Table I provides a summary of the District's net position as of June 30, 2021 and 2020. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Wahpeton Public School District No. 37, net position increased by \$3,984,804 for the year ending June 30, 2021.

The District's net position at June 30, 2021 is segregated into three separate categories. Net position invested in capital assets (net of related debt) are not available for future spending. Restricted net position represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted net positions are available to meet the District's ongoing obligations.

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

Table I
Net Position
June 30,

	2021	2020
Assets and Deferred Outflows of Resources		
Current Assets	\$ 11,724,335	\$ 16,776,336
Capital Assets, net of depreciation	35,709,651	36,246,405
Deferred Outflows of Resources	5,380,924	2,337,769
Total Assets and Deferred Outflows of Resources	52,814,910	55,360,510
Liabilities and Deferred Inflows of Resources		
Current Liabilities	1,779,512	1,807,614
Long-term Liabilities	38,802,159	45,053,176
Deferred Inflows of Resources	1,917,478	2,168,763
Total Liabilities and Deferred Inflows of Resources	42,499,149	49,029,553
NET POSITION		
Net Investment in Capital Assets	14,326,518	4,490,116
Restricted	4,586,752	10,289,184
Unrestricted (Deficit)	(8,597,509)	(8,448,343)
Total Net Position	\$ 10,315,761	\$ 6,330,957

Table II shows the changes in net position for the fiscal years ended June 30, 2021 and 2020.

Table II
Changes in Net Position
Years Ended June 30,

	2021	2020
Revenues		
Program Revenues		
Charges for Services	\$ 278,667	\$ 354,679
Operating Grants and Contributions	3,248,496	1,652,703
General Revenues		
Property Taxes	5,508,555	5,317,817
State Aid-Unrestricted	11,570,912	11,049,397
Interest and Miscellaneous Earnings	2,701,374	(192,461)
Total Revenues	\$ 23,308,004	\$ 18,182,135

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

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

	2021	2020
Expenses		
Regular Instruction	\$ 9,973,540	\$ 8,032,036
Special Instruction	2,857,041	2,229,203
Vocational Instruction	561,583	497,805
Pupil Services	1,518,897	1,426,224
General Administration Services	505,400	467,984
School Administration Services	163,192	171,273
Operation and Maintenance	1,125,878	1,569,704
Pupil Transportation	606,763	604,631
Student Activities	824,668	658,014
School Food Services	760,872	767,907
Interest and Other Charges	425,366	460,433
Total Expenses	<u>19,323,200</u>	<u>16,885,214</u>
Change in Net Position	<u>\$ 3,984,804</u>	<u>\$ 1,296,921</u>

Unrestricted state aid constituted 49.6%, property tax 23.6%, operating grants and contributions 13.9%, and charges for services made 1.2% of the total revenues of governmental activities of the District for the fiscal year ended June 30, 2021.

Regular instruction constituted 51.6%, special instruction 14.8%, pupil services 7.9%, and operation and maintenance 5.8% of total expenses for governmental activities during the fiscal year ended June 30, 2021.

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

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

	Total Cost		Net Cost	
	2021	2020	2021	2020
Regular Instruction	\$ 9,973,540	\$ 8,032,036	\$ 8,059,223	\$ 7,339,053
Special Instruction	2,857,041	2,229,203	2,480,089	1,847,440
Vocational Instruction	561,583	497,805	561,583	497,805
Pupil Services	1,518,897	1,426,224	1,518,897	1,426,224
General Administration Services	505,400	467,984	505,400	467,984
School Administration Services	163,192	171,273	163,192	171,273
Operation and Maintenance	1,125,878	1,569,704	1,125,878	1,569,704
Pupil Transportation	606,763	604,631	434,956	413,084
Student Activities	824,668	658,014	647,712	658,014
School Food Services	760,872	767,907	(126,259)	26,818
Interest and Other Charges	425,366	460,433	425,366	460,433
Total Expenses	<u>\$ 19,323,200</u>	<u>\$ 16,885,214</u>	<u>\$ 15,796,037</u>	<u>\$ 14,877,832</u>

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

Financial Analysis of the Government's Funds

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

The District's governmental funds had total revenue of \$20,840,070 and expenditures of \$28,541,425 for the fiscal year ended June 30, 2021. The unassigned fund balance of the District's general fund was \$4,738,445.

General Fund Budgetary Highlights

During the year, revenues were less than budgetary estimates by \$23,456 and expenditures were less than budgetary estimates by \$492,502.

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

Capital Assets

As of June 30, 2021, the Wahpeton Public School District No. 37 had \$35,709,651 invested in capital assets. Table IV shows the balances at June 30, 2021 and 2020.

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

	<u>2021</u>	<u>2020</u>
Land	\$ 124,000	\$ 124,000
Buildings and Improvements	34,698,240	35,211,925
Vehicles and Equipment	<u>887,411</u>	<u>910,480</u>
Total Capital Assets	<u>\$ 35,709,651</u>	<u>\$ 36,246,405</u>

This total represents a net decrease of \$536,754 in capital assets from the prior fiscal year. For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 9 of the audited financial statements that follow this analysis.

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

Debt Administration

As of June 30, 2021, the Wahpeton Public School District No. 37 had \$21,383,133 of total debt, a decrease of \$10,373,156 from the previous fiscal year.

Table V
Outstanding Debt
Years Ended June 30,

	Total Outstanding		Due Within One Year	
	2021	2020	2021	2020
General Obligation Bonds Payable	\$ 21,205,817	\$ 22,750,539	\$ 1,573,565	\$ 1,553,827
Notes Payable	-	8,815,768	-	25,386
Bond Premium	177,316	189,982	12,666	12,666
Total	\$ 21,383,133	\$ 31,756,289	\$ 1,586,231	\$ 1,591,879

For additional information regarding the outstanding debt, readers are referred to Note 10 of the audited financial statements that follow this analysis.

For the Future

The following table reflects the fall enrollment for the 2020-2021 and the preceding four years.

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Total Enrollment	1,187	1,187	1,195	1,214	1,208

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

Contacting the Districts Financial Management

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

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

STATEMENT OF NET POSITION
June 30, 2021

ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 10,732,224
Due from County	8,452
Due from State Government	141,122
Due from Federal Government	545,916
Taxes Receivable	263,070
Inventories	33,551
Total Current Assets	11,724,335
Capital Assets	
Non-depreciable	
Land	124,000
Depreciable, net of accumulated depreciation	
Buildings and Improvements	34,698,240
Vehicles and Equipment	887,411
Total Capital Assets	35,709,651
Total Assets	47,433,986
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pension	5,380,924
Total Assets and Deferred Outflows of Resources	52,814,910
LIABILITIES	
Current Liabilities	
Accounts Payable	85,885
Interest Payable	107,396
Current Portion of Long-term Debt	
General Obligation Bonds Payable	1,573,565
Bond Premium	12,666
Total Current Liabilities	1,779,512
Due After One Year	
General Obligation Bonds Payable	19,632,252
Bond Premium	164,650
Pension Liability	19,005,257
Total Long-term Liabilities	38,802,159
Total Liabilities	40,581,671
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	1,917,478
Total Liabilities and Deferred Inflows of Resources	42,499,149
NET POSITION	
Net Investment in Capital Assets	14,326,518
Restricted	4,586,752
Unrestricted (Deficit)	(8,597,509)
Total Net Position	\$ 10,315,761

See Notes to Financial Statements

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Regular Instruction	\$ 9,973,540	\$ 47,877	\$ 1,866,440	\$ (8,059,223)
Special Instruction	2,857,041	-	376,952	(2,480,089)
Vocational Instruction	561,583	-	-	(561,583)
Pupil Services	1,518,897	-	-	(1,518,897)
General Administration Services	505,400	-	-	(505,400)
School Administration Services	163,192	-	-	(163,192)
Operation and Maintenance	1,125,878	-	-	(1,125,878)
Pupil Transportation	606,763	-	171,807	(434,956)
Student Activities	824,668	176,956	-	(647,712)
School Food Services	760,872	53,834	833,297	126,259
Interest and Other Charges	425,366	-	-	(425,366)
	<u>\$ 19,323,200</u>	<u>\$ 278,667</u>	<u>\$ 3,248,496</u>	(15,796,037)
General Revenues				
Taxes				
				2,869,138
				2,237,119
				402,298
				11,570,912
				9,034
				401
				23,739
				2,668,200
				<u>19,780,841</u>
				Change in Net Position 3,984,804
				Net Position, Beginning of Year 6,330,957
				<u>Net Position, End of Year \$ 10,315,761</u>

See Notes to Financial Statements

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2021

	Major Funds				Total Governmental Funds
	General Fund	School Improvements Corporation	Debt Service HS Reno	Other Governmental Funds	
ASSETS					
Cash and Cash Equivalents	\$ 4,514,394	\$ 43,754	\$ 3,646,961	\$ 1,301,025	\$ 9,506,134
Due from County	4,297	-	3,367	788	8,452
Due from State Government	141,122	-	-	-	141,122
Due from Federal Government	545,916	-	-	-	545,916
Due from Other Funds	-	-	-	3,731	3,731
Taxes Receivable	134,332	-	104,244	24,494	263,070
Inventories	3,859	-	-	29,692	33,551
Total Assets	5,343,920	43,754	3,754,572	1,359,730	10,501,976
LIABILITIES					
Accounts Payable	20,103	-	-	-	20,103
Due to Other Funds	-	-	-	3,731	3,731
Total Liabilities	20,103	-	-	3,731	23,834
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	134,332	-	104,244	24,494	263,070
Total Deferred Inflows of Resources	134,332	-	104,244	24,494	263,070
FUND BALANCE					
Nonspendable	-	-	-	29,692	29,692
Restricted	451,040	43,754	3,650,328	875,059	5,020,181
Assigned	-	-	-	426,754	426,754
Unassigned	4,738,445	-	-	-	4,738,445
Total Fund Balance	5,189,485	43,754	3,650,328	1,331,505	10,215,072
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 5,343,920	\$ 43,754	\$ 3,754,572	\$ 1,359,730	\$ 10,501,976

See Notes to Financial Statements

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2021**

Total Fund Balance - Governmental Funds		\$ 10,215,072
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	45,186,139	
Less Accumulated Depreciation	(9,476,488)	
Net Capital Assets	<u>35,709,651</u>	35,709,651
Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds.		
		263,070
Internal service funds are used by the District to charge the costs of health insurance to departments. The assets and liabilities of internal service funds are included in the governmental activities in the statement of net position.		
		1,160,308
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditures when due. All liabilities, both current and long-term are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.		
Interest Payable	(107,396)	
General Obligation Bonds Payable	(21,205,817)	
Bond Premium	(177,316)	
Pension Liability	(15,541,811)	
Total Long-term Liabilities	<u>(37,032,340)</u>	<u>(37,032,340)</u>
Total Net Position of Governmental Activities		<u>\$ 10,315,761</u>

See Notes to Financial Statements

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – GOVERNMENTAL FUNDS**
Year Ended June 30, 2021

	Major Funds				Total Governmental Funds
	General Fund	School Improvements Corporation	Debt Service HS Reno	Other Governmental Funds	
REVENUES					
Local Sources	\$ 3,062,058	\$ 87,900	\$ 2,177,107	\$ 560,844	\$ 5,887,909
State Sources	11,742,719	-	-	2,596	11,745,315
Federal Sources	2,243,392	-	-	830,701	3,074,093
Interest Income	5,024	29	3,143	218	8,414
Miscellaneous Income	124,334	-	-	5	124,339
Total Revenues	17,177,527	87,929	2,180,250	1,394,364	20,840,070
EXPENDITURES					
Current					
Regular Instruction	8,562,421	-	-	-	8,562,421
Special Instruction	2,803,395	-	-	-	2,803,395
Vocational Instruction	551,881	-	-	-	551,881
Pupil Services	1,517,878	-	-	-	1,517,878
General Administration Services	497,297	-	-	-	497,297
School Administration Services	155,089	-	-	-	155,089
Operation and Maintenance	1,140,743	66,310	-	54,970	1,262,023
Pupil Transportation	627,649	-	-	-	627,649
Student Activities	750,261	-	-	-	750,261
School Food Services	-	-	-	719,079	719,079
Debt Service					
Principal	-	8,790,000	1,384,722	185,768	10,360,490
Interest and Other Charges	-	107,091	367,085	20,731	494,907
Facilities Acquisition and Construction	-	-	-	239,055	239,055
Total Expenditures	16,606,614	8,963,401	1,751,807	1,219,603	28,541,425
Excess (Deficiency) of Revenues over Expenditures	570,913	(8,875,472)	428,443	174,761	(7,701,355)
OTHER FINANCING SOURCES (USES)					
Other Uses	-	2,668,200	-	-	2,668,200
Operating Transfer In	-	6,121,800	-	-	6,121,800
Operating Transfer Out	-	-	-	(6,121,800)	(6,121,800)
Total Other Financing Sources (Uses)	-	8,790,000	-	(6,121,800)	2,668,200
NET CHANGE IN FUND BALANCE	570,913	(85,472)	428,443	(5,947,039)	(5,033,155)
FUND BALANCE, BEGINNING OF YEAR	4,618,572	129,226	3,221,885	7,278,544	15,248,227
FUND BALANCE, END OF YEAR	\$ 5,189,485	\$ 43,754	\$ 3,650,328	\$ 1,331,505	\$ 10,215,072

See Notes to Financial Statements

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**
Year Ended June 30, 2021

Net Change in Fund Balance - Total Governmental Funds		\$ (5,033,155)
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets with a cost greater than \$5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year.		(495,155)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.		
Net Increase in Pension Liability	(822,051)	
Net Decrease in Interest Payable	<u>56,875</u>	
		(765,176)
Repayment of debt principal and other long-term liabilities is an expenditure in the governmental fund financial statements, but repayment reduces long-term liabilities in the statement of net position.		10,360,490
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		17,500
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.		(41,599)
Internal service funds are used by the District to charge the costs of health insurance to departments. The net revenue of activities of the internal service fund is reported with governmental activities.		(58,478)
Governmental funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Annual amortization of bond issue premium and bond issuance costs are included in the statement of activities, but not in the governmental funds.		12,666
Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of a decrease in taxes receivable.		<u>(12,289)</u>
Change in Net Position of Governmental Activities		<u>\$ 3,984,804</u>

See Notes to Financial Statements

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

STATEMENT OF NET POSITION – PROPRIETARY FUND
June 30, 2021

	<u>Internal Service Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 1,226,090
LIABILITIES	
Accrued Expenses	<u>65,782</u>
NET POSITION	
Unrestricted	<u><u>\$ 1,160,308</u></u>

See Notes to Financial Statements

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUND
June 30, 2021

	<u>Internal Service Fund</u>
OPERATING REVENUES	
Contribution to Self-Insurance	\$ 1,843,778
OPERATING EXPENSES	
Claims Expense	1,793,156
Administrative Fees and Other	<u>109,222</u>
Total Operating Expenses	<u>1,902,378</u>
Operating Income (Loss)	(58,600)
NONOPERATING INCOME	
Interest Income	<u>122</u>
CHANGE IN NET POSITION	(58,478)
NET POSITION, BEGINNING OF YEAR	<u>1,218,786</u>
NET POSITION, END OF YEAR	<u><u>\$ 1,160,308</u></u>

See Notes to Financial Statements

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

STATEMENT OF CASH FLOWS – PROPRIETARY FUND
June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from User Charges	\$ 1,843,778
Payments for Health Insurance Claims	<u>(1,862,504)</u>
Net Cash Used in Operating Activities	(18,726)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	<u>122</u>
Net Cash Provided by Investing Activities	<u>122</u>
Change in Cash and Cash Equivalents	(18,604)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,244,694</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,226,090</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ (58,600)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Increase in Accrued Expenses	<u>39,874</u>
Net Cash Used in Operating Activities	<u><u>\$ (18,726)</u></u>

See Notes to Financial Statements

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37

Wahpeton, North Dakota

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The accompanying financial statements present the activities of the Wahpeton Public School District No. 37. The District has considered all potential component units for which the District is financially accountable and other organizations for which the nature and significance of their relationships with the District such that exclusion would cause the District's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. This criterion includes appointing a voting majority of an organization's governing body and (1) the ability of the Wahpeton Public School District No. 37 to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on Wahpeton Public School District No. 37.

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

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

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

B. Basis of Presentation, Basis of Accounting

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

Fund financial statements - The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and proprietary. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

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

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

2. *School Improvements Corporation* – Used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.
3. *Debt Service Fund* – Used to account for the accumulation of resources for, and payment of, general obligation bond principal, interest, and related costs.

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

1. Governmental Funds
 - a. *Special Reserve Fund* – Used to account for resources restricted to, or designated for, specific purposes by the District.
 - b. *Food Service Fund* – Used to account for food service revenues and expenditures.
 - c. *Capital Projects Fund* – Used to account for financial resources related to capital outlays made by the District.
 - d. *Debt Service Funds* – Used to account for the accumulation of resources for, and payment of, general obligation bond principal, interest, and related costs.

The District also reports the following major fund type:

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

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

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

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

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37

Notes to Financial Statements – Continued

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

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

D. Cash and Investments

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

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

E. Inventories

Inventory consists of food service supplies not consumed as of June 30, 2021 reported in the food service fund. Reported inventories net of deferred revenue are offset by a fund balance reserve to indicate they do not constitute "available spendable resources" even though they are a component of net current assets.

F. Capital Assets

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

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

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

G. Vacation Pay, Sick Pay, Severance

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

H. Long-term Obligations

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

I. Pension Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Fund for Retirement (TFFR) and North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from TFFR's 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.

J. Other Post Employment Benefits (OPEB)

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

K. Fund Balance Classifications

In the fund financial statements, governmental funds report fund balance in the classifications that disclose constraints for which amount in those funds can be spent. These classifications are as follows:

1. Nonspendable
 - a. Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. They include items such as, but not limited to, inventories, prepaid items, or the permanent principal of endowment funds.
2. Restricted
 - a. Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
3. Committed
 - a. A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the School Board. Formal action is required to be taken to establish, modify, or rescind a fund balance commitment.
4. Assigned
 - a. Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes but are under the direction of the board and the business manager.
5. Unassigned
 - a. Unassigned fund balance is the lowest classification for the General Fund. This is a fund balance that has not been reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

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

L. Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District’s financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows or resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

M. Interfund Transactions

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

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

NOTE 2 - LEGAL COMPLIANCE - BUDGETS

Expenditures over Appropriations – General fund expenditures did not exceed appropriations for the year ended June 30, 2021.

NOTE 3 - DEPOSITS AND INVESTMENTS

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

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

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the State of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board. At year end, June 30, 2021, the District’s carrying amounts of deposits was \$10,732,224 and the bank balances were \$12,206,270. Of the bank balances, \$1,000,000 was covered by Federal Depository Insurance. At June 30, 2021, the value of the securities was \$252,620 less than the 110% of the uninsured balance as required by state law.

Credit Risk:

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

1. 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.
2. 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.
3. Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation.
4. Obligations of the state.

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

As of June 30, 2021, the District held no certificates of deposit.

Interest Rate Risk:

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

Concentration of Credit Risk:

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

NOTE 4 - TAXES RECEIVABLE

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

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

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

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

NOTE 5 - DUE FROM COUNTY

Due from county represents the amount of taxes collected prior to year-end that are distributed to the District shortly after June 30, 2021.

NOTE 6 - DUE FROM FEDERAL GOVERNMENT

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

NOTE 7 - DUE FROM STATE GOVERNMENT

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

NOTE 8 - DUE TO/FROM OTHER FUNDS

The due to and from other funds as of June 30, 2021 represents the cash balance in the debt service special assessment fund, owed from the capital projects building fund.

Fund	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Debt Service Special Assessment	\$ 3,731	\$ -
Capital Projects Building	-	3,731
Totals	<u>\$ 3,731</u>	<u>\$ 3,731</u>

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

NOTE 9 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$ 124,000	\$ -	\$ -	\$ 124,000
Total Capital Assets, not being depreciated	124,000	-	-	124,000
Capital Assets, being depreciated				
Buildings and Improvements	42,722,617	239,055	-	42,961,672
Vehicles and Equipment	2,013,259	134,750	(47,542)	2,100,467
Total Capital Assets, being depreciated	44,735,876	373,805	(47,542)	45,062,139
Less Accumulated Depreciation for				
Buildings and Improvements	7,510,692	752,740	-	8,263,432
Vehicles and Equipment	1,102,779	116,220	(5,943)	1,213,056
Total Accumulated Depreciation	8,613,471	868,960	(5,943)	9,476,488
Total Capital Assets Being Depreciated, net	36,122,405	(495,155)	(41,599)	35,585,651
Governmental Activities Capital Assets, net	<u>\$ 36,246,405</u>	<u>\$ (495,155)</u>	<u>\$ (41,599)</u>	<u>\$ 35,709,651</u>

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

Governmental Activities	
Regular Instruction	\$ 595,068
Special Instruction	53,646
Vocational Instruction	9,702
Pupil Services	1,019
General Administration Services	8,103
School Administration Services	8,103
Operation and Maintenance	11,505
Pupil Transportation	65,614
Student Activities	74,407
School Food Services	41,793
Total Depreciation Expense - Governmental Activities	<u>\$ 868,960</u>

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

NOTE 10 - LONG-TERM LIABILITIES

During the year ended June 30, 2021, the following changes occurred in liabilities reported in long-term liabilities:

	Long-term Liabilites at July 1, 2020	Increases	Decreases	Long-term Liabilites at June 30, 2021	Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	\$ 22,750,539	\$ -	\$ (1,544,722)	\$ 21,205,817	\$ 1,573,565
Notes Payable	8,815,768	-	(8,815,768)	-	-
Bond Premium	189,982	-	(12,666)	177,316	12,666
Pension Liability*	14,888,766	4,116,491	-	19,005,257	-
Total - Governmental Activities	<u>\$ 46,645,055</u>	<u>\$ 4,116,491</u>	<u>\$(10,373,156)</u>	<u>\$ 40,388,390</u>	<u>\$ 1,586,231</u>

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

Outstanding debt at June 30, 2021, are comprised of the following individual issues:

1. General Obligation Bonds
 - a. General Obligation State School Construction Bonds dated January 22, 2014. From an original issuance of \$20,000,000, at an interest rate of 1.00%, \$12,470,817 remains outstanding. The principal and interest are payable through June 1, 2033.
 - b. General Obligation State School Building Bonds dated April 4, 2013. From an original issuance of \$880,000, at rates ranging from 1.00% to 1.75%, \$280,000 remains outstanding. The principal and interest are payable through August 1, 2023.
 - c. General Obligation School Building Bonds, Series 2015 dated November 2, 2015. From an original issuance of \$9,695,000, at rates ranging from 2.00% to 3.25%, \$7,800,000 remains outstanding. The principal and interest are payable through August 1, 2035.
 - d. General Obligation School Building Bonds, Series 2019 dated December 3, 2019. From an original issuance of \$725,000 at rates ranging from 1.50% to 2.375%, \$655,000 remains outstanding. The principal and interest are payable through August 1, 2029.
2. Bond Premium
 - a. Bond premium associated with General Obligation School Building Bonds, Series 2015 dated November 2, 2015. From an original issuance of \$253,312 being amortized through August 1, 2035, \$177,316 remains outstanding.

See Note 20 for additional information about the WSIC long-term debt.

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

The debt service requirements are as follows:

\$20,000,000 General Obligation State School Construction Fund Bonds
(Dated January 22, 2014, due annually to June 1, 2033)
(Interest paid annually on June 1st)

Year Ending June 30	Rate	Principal	Interest	Payment
2022	1.00%	\$ 983,565	\$ 124,741	\$ 1,108,306
2023	1.00%	993,401	114,905	1,108,306
2024	1.00%	1,003,535	104,971	1,108,506
2025	1.00%	1,013,369	94,938	1,108,307
2026	1.00%	1,023,502	84,804	1,108,306
2027 - 2031	1.00%	5,273,099	268,433	5,541,532
2032 - 2033	1.00%	2,180,346	32,812	2,213,158
		<u>\$ 12,470,817</u>	<u>\$ 825,604</u>	<u>\$ 13,296,421</u>

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

\$880,000 General Obligation School Building Bonds, Series 2013
(Dated April 4, 2013 due serially to August 1, 2023)
(Interest paid semiannually on February 1st and August 1st)

Year Ending June 30	Rate	Principal	Interest	Payment
2022	1.40%	\$ 90,000	\$ 3,956	\$ 93,956
2023	1.40%	95,000	2,494	97,494
2024	1.75%	95,000	831	95,831
		<u>\$ 280,000</u>	<u>\$ 7,281</u>	<u>\$ 287,281</u>

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

\$9,695,000 General Obligation School Building Bonds, Series 2015
(Dated November 2, 2015, due serially to August 1, 2035)
(Interest paid semiannually on February 1st and August 1st)

Year Ending June 30	Rate	Principal	Interest	Payment
2022	3.00%	\$ 430,000	\$ 208,750	\$ 638,750
2023	2.00%	445,000	197,850	642,850
2024	3.00%	455,000	186,575	641,575
2025	2.00%	470,000	175,050	645,050
2026	2.50%	475,000	164,413	639,413
2027 - 2031	2.50 - 3.00%	2,570,000	631,558	3,201,558
2032 - 2036	3.00 - 3.25%	2,955,000	233,904	3,188,904
		<u>\$ 7,800,000</u>	<u>\$ 1,798,100</u>	<u>\$ 9,598,100</u>

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

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

(Dated December 3, 2019, due serially to August 1, 2029)
 (Interest paid semiannually on February 1st and August 1st)

<u>Year Ending June 30</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2022	1.50%	\$ 70,000	\$ 12,493	\$ 82,493
2023	1.63%	70,000	11,399	81,399
2024	1.63%	70,000	10,261	80,261
2025	1.75%	70,000	9,080	79,080
2026	1.75%	70,000	7,855	77,855
2027 - 2030	2.38%	305,000	14,672	319,672
		<u>\$ 655,000</u>	<u>\$ 65,760</u>	<u>\$ 720,760</u>

Bonds maturing on August 1, 2026 and thereafter are subject to optional redemption on August 1, 2025 and any date thereafter at a price of par plus accrued interest to the redemption date.

NOTE 11 - DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the fund financial statements consist of amounts for which asset recognition criteria have been met. Under the modified accrual basis of accounting, such amounts are measurable but not available and include taxes receivables of \$263,070. Deferred inflows of resources on the statement of net position consist of related pension expense of \$1,917,478.

NOTE 12 - DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources in the fund financial statements consist of amounts for which liability recognition criteria have been met, but for which expense recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. Deferred outflows of resources on the statement of net position consist of related pension expense of \$5,380,924.

NOTE 13 - RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The District pays an annual premium to NDIRF for its general liability, auto and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$3,000,000 per occurrence for general liability and auto coverage and \$773,083 for mobile equipment and portable property.

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of \$1,000,000 per occurrence during a twelve-month period. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

The District has elected to be self-insured and retain all risk for liabilities resulting from claims of unemployment benefits. During the year ended June 30, 2021, claims in the amount of \$5,996 were filed for unemployment benefits.

The District has also established a self-funded employee welfare benefit plan. A service contract has been entered into for the year ending June 30, 2021, with a company to provide administrative services and stop-loss insurance coverage. Stop-loss coverages are based on claims incurred during the contract period and paid during or after the same 12-month period. The individual stop-loss maximum is \$30,000 per member per year and the aggregate stop-loss maximum is 120% of expected claims. The basis for estimating unpaid claims at year end is to view claims filed with the service company after year-end.

NOTE 14 - PENSION PLANS

North Dakota Teacher's Fund for Retirement

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-Grandfathered

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

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37

Notes to Financial Statements – Continued

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

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

At June 30, 2021, the District reported a liability of \$14,598,466 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial calculation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employees. At June 30, 2020 the District's proportion was .953834 percent which was a decrease of .008055 percent from its proportion measured as of June 30, 2019.

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

For the year ended June 30, 2021, the District recognized pension expenses of \$1,320,517. At June 30, 2021, 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	\$ 3,010	\$ 547,850
Changes in assumptions	657,059	-
Net difference between projected and actual investment earnings	901,184	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	673,488
Employer contributions subsequent to the measurement date	1,123,845	-
Totals	<u>\$ 2,685,098</u>	<u>\$ 1,221,338</u>

\$1,123,845 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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

<u>Year ended June 30:</u>	
2022	\$ 48,570
2023	25,921
2024	149,238
2025	112,849
2026	(23,399)
Thereafter	26,738

Actuarial Assumptions

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in measurement:

Inflation	2.30%
Salary increases	3.80% to 14.80%, varying by service, including inflation and productivity
Investment rate of return	7.25%, net of investment expenses
Cost-of-living adjustments	None

For active and inactive members, mortality rates were based on the PubT-2010 Employee table, projected with generational improvement using Scale MP-2019. For healthy retirees, mortality rates were based on 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019. For disability retirees, mortality rates were based on the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019.

The actuarial assumptions used were based on the results of an actuarial experience study dated March 19, 2020. They are the same as the assumptions used in the July 1, 2020, funding actuarial valuation for TFFR.

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37

Notes to Financial Statements – Continued

As a result of the March 19, 2020 actuarial experience study, the TFFR Board adopted several assumption changes, including the following:

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

The TFFR Board is responsible for establishing investment policy for the fund assets under NDCC 15-39.1-05.2. Benefit payments are projected to occur over a long period of time. This allows TFFR to adopt a long-term investment horizon and asset allocation policy for the management of fund assets. Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the Board in determining an acceptable volatility target for the fund and an optimal asset allocation policy mix. This asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk, including the resulting estimated impact of funded status and contribution rates.

The long-term expected rate of return on 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 pension plan's target asset allocation as of July 1, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equities	58%	6.90%
Global Fixed Income	23%	1.30%
Global Real Assets	18%	5.00%
Cash Equivalents	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.25% percent as of June 30, 2020. 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, 2020, 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 July 1, 2020. 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, 2020.

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

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.25%, 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 (6.25%) or 1-percentage-point higher (8.25%) than the current rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension liability	\$ 19,444,372	\$ 14,598,466	\$ 10,571,269

Pension plan fiduciary net position

Detailed information is located in the North Dakota Retirement and Investments Office’s Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020. Additional financial and actuarial information is available on their website, www.nd.gov/rio, or may be obtained by writing to RIO at ND Retirement and Investment Office, 1930 Burnt Boat Drive, PO Box 7100, Bismarck, North Dakota, 58507-7100 or by calling (701) 328-9885.

General Information about the NDPERS Pension Plan

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. 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.

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

Death and Disability Benefits

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

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

reached normal retirement age prior to date of death. If the surviving spouse dies before the member’s accumulated pension benefits are paid, the balance will be payable to the surviving spouse’s designated beneficiary.

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

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

At June 30, 2021, the District reported a liability of \$4,296,364 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2020, the District’s proportion was .136565 percent, which was a decrease of .002704 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$749,749. At June 30, 2021, 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	\$ 16,720	\$ 217,701
Changes in assumptions	2,303,122	380,763
Net difference between projected and actual investment earnings	138,665	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	69,152	88,724
Employer contributions subsequent to the measurement date	125,062	-
Totals	<u>\$ 2,652,721</u>	<u>\$ 687,188</u>

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

\$125,062 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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

<u>Year ended June 30:</u>	
2022	\$ 537,166
2023	470,858
2024	384,561
2025	447,886
Thereafter	-

Actuarial Assumptions

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.50% to 17.75%, varying by service, including inflation and productivity
Investment rate of return	7.00%, net of investment expenses
Cost-of-living adjustments	None

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	30%	6.30%
International Equity	21%	6.85%
Private Equity	7%	9.75%
Domestic Fixed Income	23%	1.25%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.01%
Cash Equivalents	0%	0.00%

Discount Rate

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

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

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 7.00%, the municipal bond rate is 2.45%, and the resulting Single Discount Rate is 4.64%.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 4.64 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 (3.64 percent) or 1-percentage-point higher (5.64 percent) than the current rate:

	1% Decrease (3.64%)	Current Discount Rate (4.64%)	1% Increase (5.64%)
District's proportionate share of the net pension liability	\$ 5,574,210	\$ 4,296,364	\$ 3,250,775

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report. It is located in the North Dakota Public Employees Retirement System Comprehensive Annual Financial report for the fiscal year ended June 30, 2020. The supporting actuarial information is included in the June 30, 2020, GASB Statements No. 67 and 68 Accounting and Financial Reporting for Pensions actuarial valuation for each retirement plan. Additional financial and actuarial information is available on their website, www.nd.gov/ndpers, or may be obtained by contacting the agency at North Dakota Public Employees Retirement System, 400 E Broadway Ave Suite 505, P.O. Box 1657, Bismarck, ND, 58502-1657 or by calling (701) 328-3900.

NOTE 15 – OTHER POST EMPLOYMENT BENEFITS

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-

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

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. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

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

At June 30, 2021, the District reported a liability of \$110,427 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020 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, 2020, the District's proportion was .131273 percent which was a which was an increase of .008589 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021 the District recognized OPEB expense of \$16,159. At June 30, 2021 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	\$ 2,453	\$ 2,647
Changes in assumptions	14,806	-
Net difference between projected and actual investment earnings	3,797	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,109	6,305
Employer contributions subsequent to the measurement date	15,940	-
Totals	<u>\$ 43,105</u>	<u>\$ 8,952</u>

\$15,940 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, 2022.

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

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

<u>Year ended June 30:</u>	
2022	\$ 3,821
2023	4,802
2024	4,622
2025	3,472
2026	1,493
Thereafter	3

Actuarial Assumptions

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustments	None

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Large Cap Domestic Equities	33%	6.10%
Small Cap Domestic Equities	6%	7.00%
Domestic Fixed Income	40%	1.157%
International Equities	21%	6.45%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 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.

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

The following presents the net OPEB liability of the Plans as of June 30, 2020, calculated using the discount rate of 6.50 percent, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
District’s proportionate share of the net pension liability	\$ 144,827	\$ 110,427	\$ 81,336

NOTE 16 - JOINT VENTURE

The District participates in the following joint venture:

Southeast Region Career and Technology Center

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

NOTE 17 - NONMONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its food service program. The market value of commodities received for the year ended June 30, 2021 was \$56,780.

NOTE 18 - CONCENTRATIONS

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

NOTE 19 – RELATED PARTY TRANSACTIONS

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

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

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

See Note 20 for more details on the WSIC.

NOTE 20 – SPECIAL ITEMS

In 2014, the WSIC participated in a financing transaction (the “NMTC Financing”) undertaken pursuant to section 45D of the Internal Revenue Code in connection with a project consisting of the renovation, the reconstruction, and the acquisition of improvements to certain existing educational facilities.

The seven-year compliance period with respect to the NMTC financing period has expired and, in order to facilitate the unwinding of the NMTC Financing, Chase Community Equity, LLC (the “Tax Credit Investor”) has determined to exercise its right to put to the District its interest in Chase NMTC Wahpeton Investment Fund, LLC (the “Investment Fund”), all in accordance with the terms and conditions of the Put/Call Option Agreement entered into by the Tax Credit Investor and the District in connection with the NMTC Financing in 2014.

The exercise by the Tax Credit Investor of its put rights under the Put/Call Option Agreement will result in the District becoming the sole member of the Investment Fund, with full right and authority to exercise governance over the Investment Fund.

The Investment Fund, under its Amended and Restated Operating Agreements, is authorized to redeem its entire interest in each of the entities which provided loan financing (the “QLICI Loans”) to the WSIC in connection with the NMTC Financing, in consideration for which sun lending entities are required to assign to the Investment Fund their entire interest in the QLICI Loans and related documents.

The WSIC has been informed that the District intends to undertake such redemption of interest and that, upon such redemption, the District, as sole member of the Investment Fund, has determined that the Investment Fund shall thereupon forgive all such indebtedness constituting the QLICI Loans.

The WSIC has determined that, in consideration of such debt forgiveness, it shall convey its entire interest in the real and personal property constituting the Project to the District, as the lessee, operator and user of such property, all for the purpose of assisting the District to most effectively and efficiently carry out its public educational purposes, goals and responsibilities.

The WSIC unwinding was approved by board resolution on March 10, 2021.

NOTE 21 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

The District implemented GASB Statement No. 84, Fiduciary Activities. As a result, beginning net position has been restated to reflect the related fund balance of resources as of July 1, 2020 and general fund balance have been restated as follows:

Net Position July 1, 2020 as previously reported	\$ 5,897,990
Restatement for fiduciary accounting:	
Student Activity Fund Balance	432,967
Net position July 1, 2020 as restated	\$ 6,330,957
General Fund Balance July 1, 2020 as previously reported	\$ 4,185,605
Restatement for fiduciary accounting:	
Student Activity Fund Balance	432,967
General Fund Balance July 1, 2020 as restated	\$ 4,618,572

NOTE 22 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through June 13, 2022, the date on which the financial statements were available to be issued.

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Local Sources	\$ 2,918,829	\$ 2,918,829	\$ 3,062,058	\$ 143,229
State Sources	11,903,900	11,903,900	11,742,719	(161,181)
Federal Sources	2,332,254	2,332,254	2,243,392	(88,862)
Interest Income	12,000	12,000	5,024	(6,976)
Miscellaneous Income	34,000	34,000	124,334	90,334
Total Revenues	<u>17,200,983</u>	<u>17,200,983</u>	<u>17,177,527</u>	<u>(23,456)</u>
EXPENDITURES				
Current				
Regular Instruction	8,854,180	8,854,180	8,562,421	291,759
Special Instruction	2,889,615	2,889,615	2,803,395	86,220
Vocational Instruction	522,348	522,348	551,881	(29,533)
Pupil Services	1,587,707	1,587,707	1,517,878	69,829
General Administration Services	524,695	524,695	497,297	27,398
School Administration Services	222,722	222,722	155,089	67,633
Operation and Maintenance	1,208,395	1,208,395	1,140,743	67,652
Pupil Transportation	662,248	662,248	627,649	34,599
Student Activities	627,206	627,206	750,261	(123,055)
Total Expenditures	<u>17,099,116</u>	<u>17,099,116</u>	<u>16,606,614</u>	<u>492,502</u>
Excess of Revenues over Expenditures	101,867	101,867	570,913	469,046
FUND BALANCE, BEGINNING OF YEAR			<u>4,618,572</u>	
FUND BALANCE, END OF YEAR			<u>\$ 5,189,485</u>	

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

PENSION SCHEDULES
Year Ended June 30, 2021

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

	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.953834%	0.961889%	0.971673%	0.996090%	1.031544%	1.064563%	1.074754%
District's proportionate share of the net pension liability (asset)	14,598,466	13,247,652	12,951,026	13,681,637	15,112,734	13,922,942	11,261,517
District's covered-employee payroll	6,959,753	6,747,928	6,605,525	6,723,363	6,702,203	6,548,180	6,234,148
District proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	209.76%	196.32%	196.06%	203.49%	225.49%	212.62%	180.64%
Plan fiduciary net position as a percentage of the total pension liability	63.40%	65.50%	65.50%	63.20%	59.20%	62.10%	66.60%

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

	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	887,375	860,361	842,205	857,229	854,531	834,853	670,164
Contributions in relation to statutorily required contribution	(887,375)	(860,361)	(842,205)	(857,229)	(854,531)	(834,853)	(670,164)
Contribution deficiency (excess)	-	-	-	-	-	-	-
Employer's covered-employee payroll	6,959,753	6,747,928	6,605,525	6,723,363	6,702,203	6,548,180	6,234,148
Contributions as a percentage of covered-employee payroll	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%	10.75%

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

**The measurement date of the net pension liability is June 30th of the prior year

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Pension Schedules – Continued

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

	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.136565%	0.131611%	0.139269%	0.145134%	0.141146%	0.153205%	0.150735%
District's proportionate share of the net pension liability (asset)	4,296,364	1,542,576	2,350,316	2,332,780	1,375,605	1,041,768	956,747
District's covered-employee payroll	1,506,478	1,368,978	1,430,730	1,481,586	1,422,423	1,364,873	1,269,764
District proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	285.19%	112.68%	164.27%	157.45%	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	48.91%	71.66%	62.80%	61.98%	70.46%	77.70%	78.18%

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

	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	106,672	99,669	105,380	107,433	102,981	103,673	90,407
Contributions in relation to statutorily required contribution	(117,013)	(107,878)	(102,483)	(110,884)	(108,677)	(105,652)	(90,407)
Contribution deficiency (excess)	(10,341)	(8,209)	2,897	(3,451)	(5,696)	(1,979)	-
Employer's covered-employee payroll	1,506,478	1,368,978	1,430,730	1,481,586	1,422,423	1,364,873	1,269,764
Contributions as a percentage of covered-employee payroll	7.77%	7.88%	7.16%	7.48%	7.64%	7.74%	7.12%

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

**The measurement date of the net pension liability is June 30th of the prior year

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Pension Schedules – Continued

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

	2021	2020	2019	2018
District's proportion of the net pension liability (asset)	0.131273%	0.122684%	0.130754%	0.136950%
District's proportionate share of the net pension liability (asset)	110,427	98,538	102,978	108,329
District's covered-employee payroll	1,496,478	1,368,978	1,430,730	1,481,586
District proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.38%	7.20%	7.20%	7.31%
Plan fiduciary net position as a percentage of the total pension liability	63.38%	63.13%	61.89%	59.78%

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

	2021	2020	2019	2018
Statutorily required contribution	17,580	15,921	16,782	17,222
Contributions in relation to statutorily required contribution	(18,592)	(17,273)	(16,409)	(17,754)
Contribution deficiency (excess)	(1,012)	(1,352)	373	(532)
Employer's covered-employee payroll	1,496,478	1,368,978	1,430,730	1,481,586
Contributions as a percentage of covered-employee payroll	1.24%	1.26%	1.15%	1.20%

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

**The measurement date of the net pension liability is June 30th of the prior year

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

NOTE 1 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

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

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

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

Changes of Assumptions

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

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

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

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

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

Changes of Benefit Terms

The interest rate earned on member contributions will decrease from 7.00 percent to 6.50 percent effective January 1, 2021 (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, 2019.

Changes of Assumptions

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

- The investment return assumption was lowered from 7.5% to 7.0%.
- The assumed rate of price inflation was lowered from 2.5 to 2.25 percent for the July 1, 2020 valuation.
- The assumed rate of total payroll growth was updated for the July 1, 2020 valuation.
- Mortality table updates were made for the July 1, 2020 valuation.

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

NOTE 4 – NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM CHANGE OF ASSUMPTIONS 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 the 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, 2019.

Changes of Assumptions

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

- The investment return assumption was lowered from 7.25% to 6.50%.

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEET
June 30, 2021

	<u>Special Reserve</u>	<u>Food Service</u>	<u>Debt Service Special Assessment</u>	<u>Debt Service Zimmerman</u>	<u>Capital Projects HS Reno</u>	<u>Capital Projects Building</u>	<u>Total Other Governmental Funds</u>
ASSETS							
Cash and Cash Equivalents	\$ 111,195	\$ 426,754	\$ -	\$ 194,514	\$ -	\$ 568,562	\$ 1,301,025
Due from County	63	-	-	100	-	625	788
Due from Other Funds	-	-	3,731	-	-	-	3,731
Taxes Receivable	1,945	-	57	3,082	-	19,410	24,494
Inventories	-	29,692	-	-	-	-	29,692
Total Assets	113,203	456,446	3,788	197,696	-	588,597	1,359,730
LIABILITIES							
Due to Other Funds	-	-	-	-	-	3,731	3,731
Total Liabilities	-	-	-	-	-	3,731	3,731
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue - Property Taxes	1,945	-	57	3,082	-	19,410	24,494
Total Deferred Inflows of Resources	1,945	-	57	3,082	-	19,410	24,494
FUND BALANCE							
Nonspendable	-	29,692	-	-	-	-	29,692
Restricted	111,258	-	3,731	194,614	-	565,456	875,059
Assigned	-	426,754	-	-	-	-	426,754
Total Fund Balance	111,258	456,446	3,731	194,614	-	565,456	1,331,505
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 113,203</u>	<u>\$ 456,446</u>	<u>\$ 3,788</u>	<u>\$ 197,696</u>	<u>\$ -</u>	<u>\$ 588,597</u>	<u>\$ 1,359,730</u>

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**
June 30, 2021

	Special Reserve	Food Service	Debt Service Special Assessment	Debt Service Zimmerman	Capital Projects HS Reno	Capital Projects Building	Total Other Governmental Funds
REVENUES							
Local Sources	\$ 40,343	\$ 53,834	\$ 219	\$ 63,176	\$ -	\$ 403,272	\$ 560,844
State Sources	-	2,596	-	-	-	-	2,596
Federal Sources	-	830,701	-	-	-	-	830,701
Interest Income	63	-	-	105	-	50	218
Miscellaneous Income	-	-	-	-	-	5	5
Total Revenues	40,406	887,131	219	63,281	-	403,327	1,394,364
EXPENDITURES							
Current							
Operation and Maintenance	-	-	-	-	-	54,970	54,970
School Food Services	-	719,079	-	-	-	-	719,079
Debt Service							
Principal	-	-	-	90,000	-	95,768	185,768
Interest and Other Charges	-	-	-	5,714	-	15,017	20,731
Facilities Acquisition and Construction	-	-	-	-	-	239,055	239,055
Total Expenditures	-	719,079	-	95,714	-	404,810	1,219,603
Excess (Deficiency) of Revenues over Expenditures	40,406	168,052	219	(32,433)	-	(1,483)	174,761
OTHER FINANCING SOURCES (USES)							
Operating Transfer Out	-	-	-	-	(6,121,800)	-	(6,121,800)
Total Other Financing Sources (Uses)	-	-	-	-	(6,121,800)	-	(6,121,800)
NET CHANGE IN FUND BALANCE	40,406	168,052	219	(32,433)	(6,121,800)	(1,483)	(5,947,039)
FUND BALANCE, BEGINNING OF YEAR	70,852	288,394	3,512	227,047	6,121,800	566,939	7,278,544
FUND BALANCE, END OF YEAR	\$ 111,258	\$ 456,446	\$ 3,731	\$ 194,614	\$ -	\$ 565,456	\$ 1,331,505

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

SCHEDULE OF TAXABLE LEVIES
June 30, 2021

SCHEDULE OF TAXABLE LEVIES		
<u>Fund</u>	<u>Amount of Tax Levied</u>	<u>Tax Rate in Mills</u>
General Fund	\$ 2,933,233	69.00
Special Reserve	42,511	1.00
Sinking and Interest	2,191,849	51.56
Building	425,106	10.00
Total	<u>\$ 5,592,699</u>	<u>131.56</u>

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through North Dakota Department of Public Instruction			
National School Lunch Program - Commodities (Note 3,4)	10.555	N/A	\$ 56,780
Summer Food Service Program for Children (Note 4)	10.559	N/A	<u>723,230</u>
Total Child Nutrition Cluster			780,010
Fresh Fruit and Vegetable Program	10.582	N/A	46,244
State Administrative Expenses for Children Nutrition	10.560	N/A	<u>4,447</u>
Total U.S. Department of Agriculture			830,701
DEPARTMENT OF TREASURY			
Passed through North Dakota Department of Public Instruction			
COVID-19 - Coronavirus Relief Funds (Note 4)	21.019	N/A	646,424
U.S. DEPARTMENT OF EDUCATION			
Passed through North Dakota Department of Public Instruction			
Title I - Grants to LEA's	84.010	N/A	434,244
Student Support and Academic Enrichment Program	84.424A	N/A	56,770
Supporting Effective Instruction State Grants	84.367	N/A	93,748
Striving Readers Comprehensive Literacy	84.371C	N/A	284,677
COVID 19 - Education Stabilization Fund	84.425D	N/A	350,577
Special Education - Grants to States (IDEA, Part B)	84.027	N/A	369,173
Special Education - Preschool Grants (IDEA Preschool)	84.173	N/A	<u>7,779</u>
Total Special Education Cluster			<u>376,952</u>
Total U.S. Department of Education			<u>1,596,968</u>
Total Expenditures of Federal Awards			<u><u>\$ 3,074,093</u></u>

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2021

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal award activity of the Wahpeton Public School District No. 37 under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The amounts reported on the schedule have been reconciled to and are in agreement with amounts recorded in the accounting records from which the financial statements have been reported.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 – NONCASH AWARDS

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

NOTE 4 – MAJOR PROGRAM

This represents a major federal financial assistance program.



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to finance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wahpeton Public School District No. 37, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Wahpeton Public School District No. 37's basic financial statements, and have issued our report thereon dated June 13, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wahpeton Public School District No. 37's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wahpeton Public School District No. 37's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses (2021-001 and 2021-002).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wahpeton Public School District No. 37's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs (2021-003).

District's Response to Findings

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

Purpose of this Report

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

Nadine Julson, LLC

Nadine Julson, LLC
Wahpeton, North Dakota
June 13, 2022



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

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

Report on Compliance for Each Major Federal Program

We have audited the Wahpeton Public School District No. 37's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Wahpeton Public School District No. 37's major federal programs for the year ended June 30, 2021. The Wahpeton Public School District No. 37's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Wahpeton Public School District No. 37 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

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

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

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

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



Nadine Julson, LLC
Wahpeton, North Dakota
June 13, 2022

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

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

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

Unmodified

Any audit finding disclosed that are required to be reported in accordance with 2 CDF 200.516(a)?	<u> </u> Yes	<u> X </u> No
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CFDA Numbers

Name of Program or Cluster

21.019	COVID-19 - Coronavirus Relief Funds
	<u>CHILD NUTRITION CLUSTER</u>
10.555	National School Lunch Program - Commodities
10.559	Summer Food Service Program for Children

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee?	<u> </u> Yes	<u> X </u> No
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SECTION II - FINANCIAL STATEMENT FINDINGS

2021-001 INADEQUATE SEGREGATION OF DUTIES

Criteria

The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

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

Condition

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

Effect or Potential Effect

Without sufficient segregation of duties, the risk significant increases that errors and fraud related to cash receipts, disbursements, and reconciliations, including misappropriation of assets, could occur and not be detected within a timely basis.

Cause

The entity's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Recommendation

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

Views of Responsible Officials

There is no disagreement with the audit finding and we understand that this will be a repeated recommendation due to the limited amount of resources of the District. The District will segregate functions where feasible.

2021-002 FINANCIAL STATEMENT PREPARATION

Criteria

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

Condition

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

Effect or Potential Effect

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

Recommendation

We recommend the District be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. As a compensating control, the District should establish an internal control policy to document annual review of the financial statements and to review a financial statement disclosure checklist.

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

Views of Responsible Officials

The District will continue to have the auditor prepare the financial statements. It is currently not cost-effective for management to perform the preparation.

2021-003 PLEDGE OF ASSETS

Criteria

The District had a balance of \$939,611 on deposit at one financial institution as of June 30, 2021 that was covered by \$250,000 of FDIC coverage with the remaining balance of \$689,611 collateralized with securities held by the pledging financial institution's agent in the District's name.

Effect

The District was under collateralized by \$252,620 and was not in compliance with North Dakota Century Code 21-04-09.

Recommendation

We recommend the District review all bank statements and pledged securities to ensure all deposits are adequately covered by FDIC and pledged securities.

Views of Responsible Officials

The District depository corrected the under collateralized balance after year end. The District will continue to review bank balances for compliance with North Dakota Century Code 21-04-09.

WAHPETON PUBLIC SCHOOL DISTRICT NO. 37
Wahpeton, North Dakota

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2021

Prior Financial Statement Findings:

2020-001

A material weakness was reported for inadequate segregation of duties.

Corrective Action Plan

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements. This material weakness continues to exist under the current audit findings as finding number 2021-001.

2020-002

A material weakness was reported for financial statement preparation.

Corrective Action Plan

The accounting functions should be reviewed to determine if it is feasible for the District to prepare its own financial statements. This material weakness continues to exist under the current audit findings as finding number 2021-002.

2020-003

The District did not maintain an adequate pledge of securities in accordance with North Dakota Century Code 21-04-09.

Corrective Action Plan

The pledge of securities will be reviewed with each monthly bank reconciliation.