Financial Statements
June 30, 2021

West Fargo Public Schools

Additional Reports

Name	Position	Term Expires
School Board		
Jim Jonas	President	2022
Jessica Jackson	Vice President	2022
Trisha Page	Director	2024
Dan Schaeffer	Director	2024
Jon Erickson	Director	2022
Mark Staples	Director	2022
Patti Stedman	Director	2024
School Officials		
Beth Slette	Superintendent	
Vince Williams	Assistant Superintendent of Secondary Curriculum and Instruction	
Rachael Agre	Assistant Superintendent of Elementary Curriculum and Instruction	
Levi Bachmeier	Business Manager	
Brittnee Nikle	Human Resources Director	
Joy Retterath	Director of Accounting (through September 8, 2021)	
Jean Luke Arel	Director of Accounting (after September 13, 2021)	
Alicia Severson	Board Secretary	

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Independent Auditor's Report

The School Board of
West Fargo Public Schools
West Fargo, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Fargo Public Schools, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Notes 1 and 13 to the financial statements, the District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in an adjustment of the net position and fund balance of the General Fund as of July 1, 2020. 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, schedule of employer's share of net OPEB liability and related ratios, schedule of employer's share of net pension liability and schedule of employer's contributions, and budgetary comparison information, as listed in 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 District's basic financial statements as a whole. The School Board and Administration list and combining fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) 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 combining fund schedules and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of federal awards and combining fund schedules are fairly stated in all material respects in relation to the financial statements taken as a whole.

The School Board and Administration list 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 December 8, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Fargo, North Dakota
December 8, 2021

This section of Independent School District No. 6 – West Fargo Public Schools' (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

Key financial highlights for the 2020-2021 fiscal year include the following:

General Fund – The overall revenues were $161,276,111 while the overall expenditures were $153,071,964 , and other financing uses were $2,563,700 , increasing the fund balance by $5,640,447 .

Debt Service Fund – The revenues were $18,118,727 while the overall expenditures were $18,981,205 and other financing sources were $3,753,283 , increasing fund balance by $2,890,805 .

Capital Projects Fund – The revenues were $6,270,202 while the overall expenditures were $53,379,884 and other financing sources were $4,665,013 , decreasing fund balance by $42,444,669 .

Special Reserve Fund – The revenues were $1,282,863 while the expenditures were $0 and other financing uses were $265,256, increasing the fund balance by $1,017,607 .

Food Service Fund – The revenues were $7,549,338 while the expenditures were $6,016,460 and other financing uses were $80,900 , increasing the fund balance by $1,451,978 .

Co-curricular Fund – The revenues were $369,799 while the expenditures were $3,330,263 and other financing sources were $2,960,464 , changing the fund balance by $0.

Overview of the Financial Statements

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position - the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources - is one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively. To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statement the District's activities are shown in one category:

Governmental Activities – All of the District's basic services are included here, such as regular and special education, transportation, administration, food service, and community education. Property taxes and state aids finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds—focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts, building construction, food service) or to show that it is properly using revenues.

The District has two kinds of funds:

Governmental Funds – All of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information following the governmental funds statements that explains the relationship (or differences) between them.

Proprietary Fund – The District has a self-insured health plan designed as an internal service fund. The fund is used to record the premiums received, and claims paid related to the participants employed by the District's governmental funds.

Financial Analysis of the District as a Whole

Net Position

The District's combined net deficit was $3,771,846 as of June 30, 2021.

Current assets increased mostly due to the additional cash resulting from bond proceeds for the capital projects the District has in progress. Capital assets increased mainly as a result of completed construction and construction in progress, which showed an increase of $42,496,839 over the previous year. The projects that were completed were the Art, Music, Gate, Freedom, Independence, and Aurora projects, Sheyenne High School Tennis Court, Security Improvements Phase 4, and 6, District Wide Flex Seating, and HAC Moisture Mitigation. Construction in progress included the Horace High School Athletic Complex, Heritage Middle School, Horace High School, Horace Elementary, Brooks Harbor Elementary, and various security improvements and other improvement projects.

The District's net position is segregated into three separate categories: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets (e.g., land, buildings, vehicles, equipment, improvements, and construction in progress); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to citizens, and consequently these assets are not available for future spending. The resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position reflects the District's resources which are subject to external restrictions on how they must be spent in the debt service funds and for construction. The majority of this category can be attributed to the bond indentures for the remaining building projects from the bond referendum passed on September 25, 2018.

Unrestricted net deficit totaling $135,142,712 represents the remainder of the District's resources. The large balance was primarily due to the net pension and OPEB liability, and related deferred inflows and outflows of resources derived from pension and OPEB. The pension and OPEB obligations are long term obligations that are not likely to ever be liquidated from unrestricted net position and are not obligated out of current resources to pay upcoming obligations. Not considering the effects of pension and OPEB items, unrestricted net position would be $26,886,847. This amount of unrestricted net position is available to actually meet the district's ongoing obligations. We believe that amount of unrestricted net position, not considering the effects of pension and OPEB items, is sufficient to meet our ongoing obligations.

For the Future and Next Year's Budget and Tax Rates

The District projects continued growth into the future. The internal enrollment projections indicate anticipated total enrollments for the next 4 years are as follows:

2021-2022 Actual	2022-2023 Projected	2023-2024 Projected	2024-2025 Projected	2025-2026 Projected
12,254	12,473	12,910	13,287	13,705

The District's enrollment increased by 639 students from 11,615 on September 30, 2020 to 12,254 on September 20, 2021. This represents an increase of 5.50% over the prior year.

The District's total mill levy has increased from 139.45 in 2020-2021 to 143.12 in 2021-2022. The levy is composed of 66.26 mills for general fund purposes, 43.71 mills for debt service to repay bonds for the construction of buildings, 10.00 mills for its Building Fund to maintain existing buildings and repay school construction loans, 5.17 mills for Special Assessments, 2.98 mills for tuition, 3.00 mills for the Special Reserve Fund and 12.00 mills for other purposes. The following chart provides a 5-year history of the district's mill levy.

Purpose	2017-18	2018-19	2019-20	2020-21	2021-22
General	54.97	58.29	60.4	63.16	66.26
Tuition (Grades 7 - 12)	5.64	6.04	5.48	5.45	2.98
Miscellaneous	12	12	12	12	12
Sinking & Interest	38.62	41.06	43.25	43.2	43.71
Special Assessments	5.04	2.92	3.13	2.64	5.17
Building	10	10	10	10	10
Special Reserve	3	3	3	3	3
Total	129.27	133.31	137.26	139.45	143.12

The original General Fund budget includes estimated revenues of $159,066,380 and appropriated expenditures of $160,566,660, which represents a projected deficit of $1,500,280. The School Board policy regarding General Fund Ending Balance is a preferred range of 10% - 14%, but not less than 9%, excluding General Fund grant expenditures. The current projected budget would meet this policy by attaining a projected general fund balance of 10.99%, and 11.42% excluding budgeted grant expenditures of $5,999,100.

The following table provides a summary of the original budget adopted by the School Board on August 9, 2021.

2021-2022 Fiscal Year
Statement of Revenue Budget, Expenditure Budget and Projected Fund Balance
Preliminary Budget as of August 9, 2021

Fund	Fund Account Name	Est. Beg. Balance July 1, 2021	Revenue Budget 2021-2022	Expense Budget 2021-2022	Revenue versus Expenditures	Projected Balance June 30, 2022	Fund Balance Percent
10	General Fund	$19,146,137.35	$159,066,380.00	$160,566,660.00	($1,500,280.00)	$17,645,857.35	10.99%
11	Insurance Fund	$8,788,193.34	$25,338,490.00	$25,417,950.00	($79,460.00)	$8,708,733.34	34.26%
20	Special Reserve	$6,829,471.08	$1,356,330.00	$1,633,550.00	($277,220.00)	$6,552,251.08	401.11%
30	Building Fund	$33,740,149.47	$7,213,760.00	$36,754,480.00	($29,540,720.00)	$4,199,429.47	11.43%
40	Sinking & Interest	$12,191,098.57	$21,509,060.00	$18,988,180.00	$2,520,880.00	$14,711,978.57	77.48%
50	Food Service	$3,473,265.07	$6,600,500.00	$7,211,710.00	($611,210.00)	$2,862,055.07	39.69%
60	Student Activities	$1,327,343.08	$0.00	$0.00	$0.00	$1,327,343.08	0.00%
61	Co-Curricular	$0.00	$4,100,590.00	$4,100,590.00	$0.00	$0.00	0.00%
70	Trust and Agency	$43,410.20	$0.00	$0.00	$0.00	$43,410.20	0.00%
80	Virtual CTE Ctr	$0.00	$1,392,000.00	$1,392,000.00	$0.00	$0.00	0.00%

The funds presented above are broken out for internal tracking of student activity fund balances by the District, however, for financial reporting purposes fund 10 and fund 60 balances are combined and presented as the General Fund with the adoption of GASB 84 as of July 1, 2020.

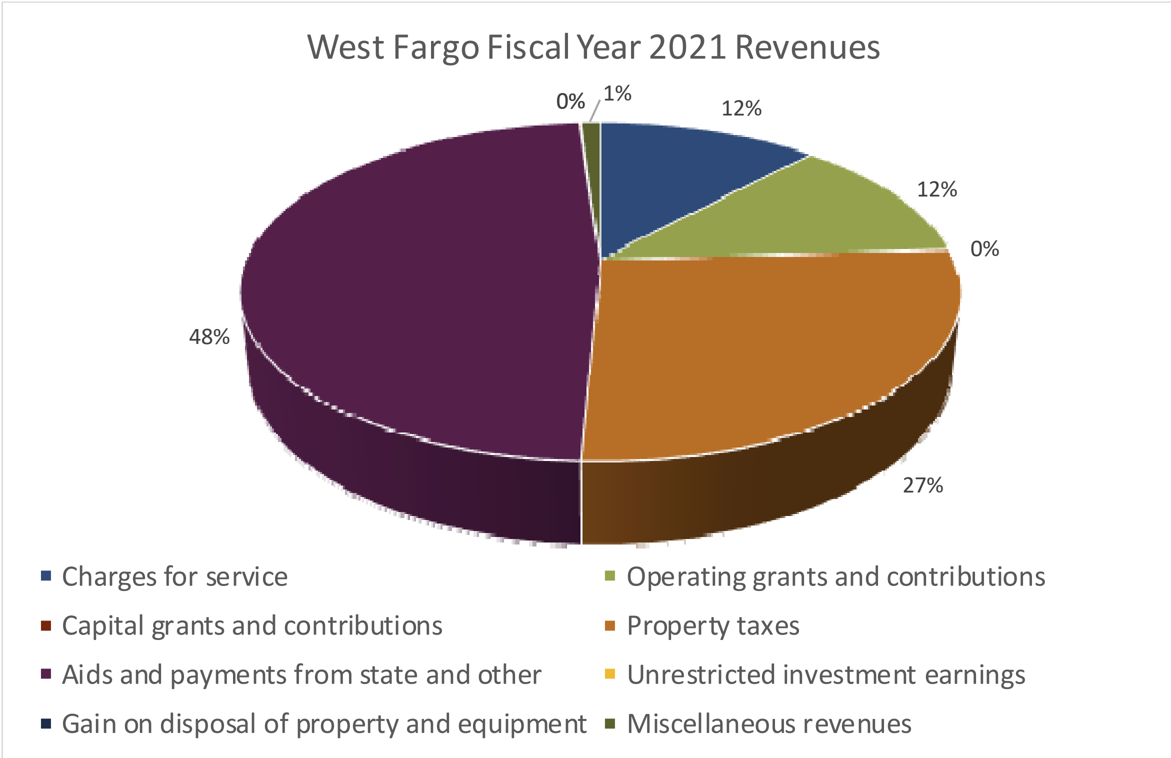
Statement of Revenues, Expenses and Changes in Net Position
June 30, 2021 and 2020

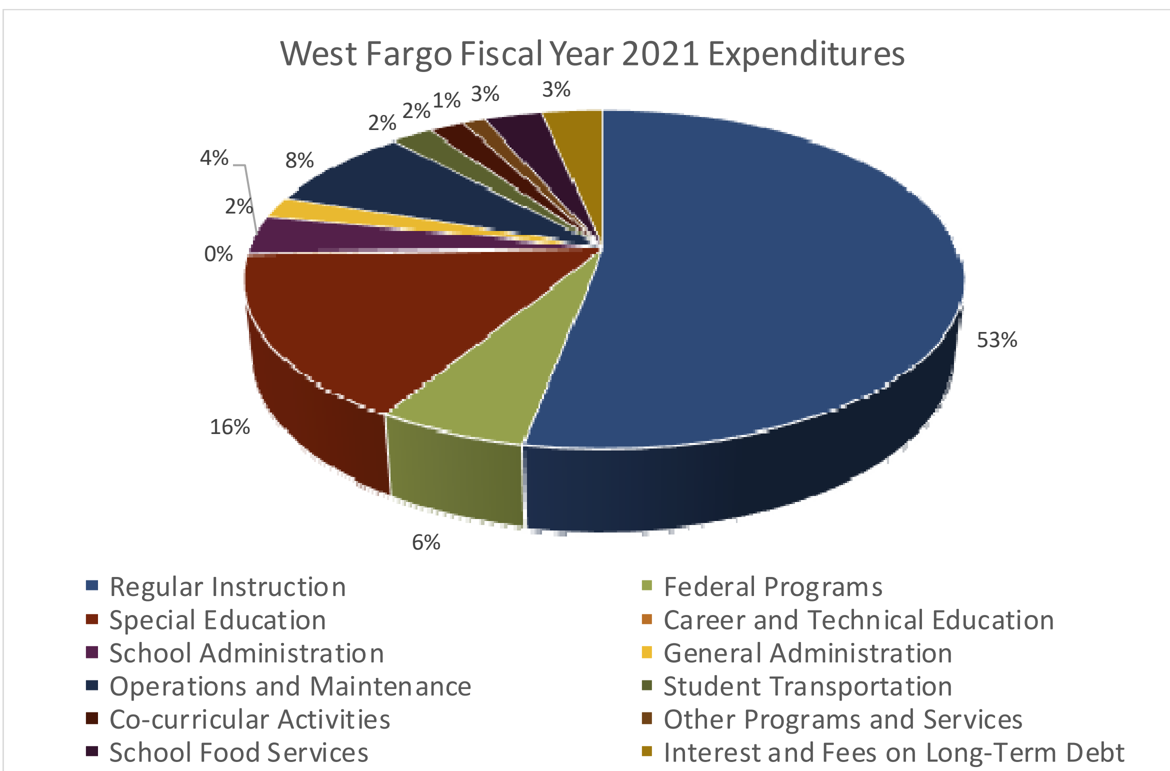
	2021	2020
Revenues		
Program revenues		
Charges for service	$ 25,823,507	$ 25,550,218
Operating grants and contributions	26,087,070	14,920,655
Capital grants and contributions	165,880	-
General		
Property taxes	58,276,524	53,105,041
Aids and payments from state and other	105,038,493	99,240,981
Unrestricted investment earnings	195,563	1,412,380
Gain on disposal of property and equipment	50,608	39,646
Miscellaneous revenues	2,128,018	1,102,608
Total revenues	217,765,663	195,371,529
Expenses		
Regular Instruction	103,552,249	89,604,350
Federal Programs	11,222,854	4,399,956
Special Education	30,577,709	29,390,045
Career and Technical Education	478,938	3,135,776
School Administration	6,723,367	6,745,296
General Administration	4,092,291	4,264,038
Operations and Maintenance	15,972,797	15,828,821
Student Transportation	4,266,086	4,416,198
Co-curricular Activities	3,786,214	3,414,282
Other Programs and Services	2,350,930	1,932,584
School Food Services	6,090,406	6,069,556
Interest and Fees on Long-Term Debt	6,446,837	6,054,875
Health self-insurance	24,195,141	19,490,904
Total expenses	219,755,819	194,746,681
Changes in Net Deficit	(1,990,156)	624,848
Net Deficit - Beginning, as adjusted July 1, 2020	(1,781,690)	(3,787,554)
Net Deficit - Ending	$ (3,771,846)	$ (3,162,706)

Changes in Net Position (Deficit) – The District's total revenues were $217,765,663 for the year ended June 30, 2021. Property taxes and state formula aid accounted for 75.0 % of total revenue for the year. Another 25.0 % came from other program revenue and miscellaneous revenues.

The total cost of all programs and services was $219,755,819 . The District's expenses are predominantly related to educating and caring for students. The purely administrative activities of the District accounted for just 5.5% of total costs.

The total expenses exceeded revenues, increasing the net deficit by $1,990,156 for fiscal year 2021.


West Fargo Fiscal Year 2021 Revenues
0%
1%
12%
12%
0%
48%
27%
Charges for service
Operating grants and contributions
Capital grants and contributions
Property taxes
Aids and payments from state and other
Unrestricted investment earnings
Gain on disposal of property and equipment
Miscellaneous revenues


West Fargo Fiscal Year 2021 Expenditures
2%
2%
1%
3%
3%
4%
8%
2%
0%
53%
16%
6%
Regular Instruction
Federal Programs
Special Education
Career and Technical Education
School Administration
General Administration
Operations and Maintenance
Student Transportation
Co-curricular Activities
Other Programs and Services
School Food Services
Interest and Fees on Long-Term Debt

General Fund

The General Fund includes the primary operations of the District in providing educational services to students from pre-kindergarten through grade 12, including pupil transportation activities, buildings and grounds, and capital outlay projects.

The following schedule presents a summary of General Fund Revenues.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2021	2020		
Local sources	$ 37,939,403	$ 33,168,280	$ 4,771,123	14.4%
State sources	106,427,285	101,845,237	4,582,048	4.5%
Federal sources	16,587,363	8,035,399	8,551,964	106.4%
Other sources	322,060	707,063	(385,003)	-54.5%
Total General Fund revenues	$ 161,276,111	$ 143,755,979	$ 17,520,132	12.2%

Total General Fund revenue increased by $17,520,132 or 12.2 % from the previous year. Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. The mix of property tax and state aid can change significantly from year to year without any net change on revenue. In addition, the district received additional federal funding through the CARES Act as part of the ongoing COVID 19 pandemic. The GASB 84 standard implementation during the current year increased local source revenue as the district's student activities became part of the general fund.

The following schedule presents a summary of General Fund expenditures.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2021	2020		
Salaries and benefits	$ 129,282,787	$ 119,696,700	$ 9,586,087	8.0%
Purchased services	8,877,208	9,675,437	(798,229)	-8.3%
Supplies and materials	7,617,611	6,171,626	1,445,985	23.4%
Capital expenditures	5,526,989	4,725,594	801,395	17.0%
Other expenditures	1,767,369	535,645	1,231,724	230.0%
Total General Fund expenditures	$ 153,071,964	$ 140,805,002	$ 12,266,962	8.7%

Total General Fund expenditures increased by $12,266,962 or 8.7 % from the previous year. The overall increase in the current fiscal year resulted from an increase in salaries and benefits related to additional staff hired and approved wage increases for existing staff. Purchased services costs decreased due to COVID impacts on the instructional calendar. Supplies and materials and capital expenditures increased due to intentional efforts to reduce students sharing as a COVID 19 mitigation strategy. Other expenditures increased due to GASB 84 standard implementation during the current year which brough the district's student activities within the general fund of the district.

General Fund Budgetary Highlights

The District's general fund results when compared to the final budget are:

- Actual revenues were $1,208,339 *less than* budget. This was attributed to higher budgeted federal revenue.

- Actual expenditures were $7,905,736 *less than* budget due to significantly reduced travel, tuition expenses, unforeseen grant awards, and unfilled positions.

Debt Service Fund

The Debt Service Fund revenues were $18,118,727 , expenditures were $18,981,205 , and other financing sources totaled $3,753,283 . This increased fund balance by $2,890,805 which is the result of a transfer in from the capital projects fund and current year bond refunding.

Capital Projects Fund

The Capital Projects Fund revenues were $6,270,202 , expenditures were $53,379,884 , and other financing sources were $4,665,013 . Fund balance decreased by $42,444,669 . The decrease is a result of ongoing construction projects during the year.

Special Reserve Fund

The Special Reserve Fund revenues were $1,282,863 , expenditures were $0, and transfers out were $265,256. This increased fund balance by $1,017,607 .

Other Non-Major Funds

The Food Service Fund incurred an increase in the fund balance of $1,451,978 . The increase is a result of additional federal funding received through the Summer Food Service Program during fiscal year 2021. The Co-curricular Fund incurred no change in fund balance during fiscal year 2021.

Capital Assets and Debt Administration

Capital Assets

By the end of 2021, the District had invested $424,960,844 in a broad range of capital assets, including school buildings, land, athletic facilities, school vehicles, parking lots, and computer and audio-visual equipment. Total depreciation expense for the year was $7,724,106 . Note 5 presents the detail of the District's capital assets.

June 30, 2021 and 2020

	2021	2020
Land	$ 14,624,001	$ 14,624,001
Construction in progress	78,473,806	35,976,967
Buildings	302,427,647	302,046,701
Equipment	3,934,547	4,272,837
Vehicles	5,574,488	5,276,697
Parking Lots	1,013,831	1,013,831
Land Improvements	18,912,524	9,738,634
Accumulated Depreciation	(75,697,119)	(68,671,636)
Total capital assets	$ 349,263,725	$ 304,278,032

Long-Term Liabilities

As of June 30, 2021, the District had $495,307,269 in outstanding long-term liabilities, of which $12,718,763 was due within one year. Total long-term liabilities outstanding as of June 30, 2020 was $448,849,298 . The net increase of $46,457,971 (10.35 %) was attributed to the 2021 bond refunding totaling $42,725,000 during the year to be used in the construction of future projects. The district's liabilities also increased due to $6,459,896 of added special assessments during 2021. The remaining difference is offset by scheduled debt retirement on outstanding debt.

	2021		2020	
	Total Outstanding	Due Within One Year	Total Outstanding	Due Within One Year
Bonds				
Bond CC	$ 137,166	$ 137,166	$ 272,975	$ 135,809
Bond FF	540,571	133,134	672,386	131,814
Bond HH	5,000,000	-	5,000,000	-
Bond II	-	-	48,515,000	2,840,000
Bond JJ	2,194,468	200,688	2,391,279	196,811
Bond KK	-	-	1,610,000	105,000
Bond LL	5,637,313	444,581	6,077,659	440,178
Bond MM	6,186,707	481,723	6,662,801	475,867
Bond NN	7,650,000	-	7,650,000	-
Bond OO	35,985,000	1,955,000	37,885,000	1,900,000
Bond PP	40,300,000	1,915,000	42,160,000	1,860,000
Bond QQ	9,570,000	350,000	9,905,000	335,000
Bond RR	32,595,000	1,270,000	33,400,000	805,000
Bond SS	9,585,655	417,854	10,000,000	411,567
Bond TT	59,145,000	2,055,000	59,145,000	-
Bond UU	10,515,000	610,000	10,515,000	-
Bond VV	42,725,000	-	-	-
Total Bonds, Gross	267,766,880	9,970,146	281,862,100	9,637,046
Bond Premium	19,886,828	1,486,143	16,898,700	1,023,459
Bond Discount	-	-	(533,823)	(48,530)
Total Bonds, Net	$ 287,653,708	$ 11,456,289	$ 298,226,977	$ 10,611,975
Special Assessments	$ 6,459,896	$ 276,531	$ -	$ -
Lease Payable	3,612	2,830	6,312	2,764
Comp. Absences Payable	983,113	983,113	908,223	908,223
Net Pension and OPEB Liability	200,206,940	-	149,707,786	-
Total Long-Term Liabilities	$ 495,307,269	$ 12,718,763	$ 448,849,298	$ 11,522,962

Factors Bearing on the District's Future

With the ongoing COVID-19 Pandemic, the District experienced reductions in general fund expenditures due to the varied instructional models used throughout the year, beginning in hybrid instruction before returning to full 5 day instruction in the first quarter of calendar year 2021. This reality, combined with reduced travel (including students seeking tuition services), workforce shortages that left several budgeted positions unfilled, and planned pandemic expenses that were ultimately covered with the arrival of additional grant dollars resulted in significant under-expenditure of the budget. As a result, the district was able to reduce the utilization of its special reserve fund to cover allowable expenses, retaining the maximum balance allowable by law. Looking ahead, the workforce shortage will continue to be a challenge: the district will need to work to raise wages in a sustainable way to avoid persistent under expensing, particularly in classified positions.

Contacting the District's Financial Management

This financial report is designed to provide our parents, taxpayers, and creditors with a general overview of West Fargo Public School District'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 West Fargo Public Schools. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact Levi Bachmeier, Business Manager, West Fargo Public Schools, 207 Main Avenue West, West Fargo, ND 58078-1793; phone 701-356-2002, fax 701-356-2009, or email lbachmeier@west-fargo.k12.nd.us.

Assets	
Cash and investments	$ 92,808,709
Restricted cash and cash equivalents	3,337,208
Receivables	
Property taxes	2,115,247
Accounts	327,128
Pledge	1,757,324
Due from other governmental units	4,255,408
Asset held for resale	29,000
Inventory	181,807
	104,811,831
Capital assets	
Non-depreciable	
Land	14,624,001
Construction in progress	78,473,806
Depreciable	
Buildings	302,427,647
Vehicles	5,574,488
Equipment	3,934,547
Parking lots	1,013,831
Land improvements	18,912,524
Less accumulated depreciation	(75,697,119)
Total capital assets, net of depreciation	349,263,725
Total assets	454,075,556
Deferred Outflows of Resources	
Other postemployment benefit plan	568,253
Pension plans	69,158,499
Total deferred outflows of resources	69,726,752
Liabilities	
Accounts payable	6,065,758
Salaries and benefits payable	3,810,694
Retainage payable	3,022,620
Claims incurred but not reported	2,103,873
Interest payable	3,222,365
Unearned revenue	511,213
Long-term liabilities	
Due within one year - bonds, debt, net premiums, capital leases, special assessment, and compensated absences	12,720,763
Due in more than one year - bonds, debt, net premiums, capital leases, special assessments, and compensated absences	282,379,566
Due in more than one year - other postemployment benefits	1,442,065
Due in more than one year - net pension liability	198,764,875
Total liabilities	514,043,792
Deferred Inflows of Resources	
Other postemployment benefits plan	39,657
Pension plans	13,490,705
Total deferred inflows of resources	13,530,362
Net Position (Deficit)	
Net investment in capital assets	123,907,145
Restricted for specific purposes	49,538,354
Unrestricted	(177,217,345)
Total net deficit	$ (3,771,846)

		Program Revenues			Net (Expense)
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental activities					
Regular Instruction	$ 103,552,249	$ 155,948	$ 98,527	$ -	$ (103,297,774)
Federal Programs	11,222,854	-	16,587,363	-	5,364,509
Special Education	30,577,709	538,397	492,055	-	(29,547,257)
Career and Technical Education	478,938	-	1,091,802	-	612,864
School Administration	6,723,367	-	-	-	(6,723,367)
General Administration	4,092,291	-	-	-	(4,092,291)
Operations and Maintenance	15,972,797	-	-	-	(15,972,797)
Student Transportation	4,266,086	200,310	811,484	-	(3,254,292)
Co-curricular Activities	3,786,214	369,799	-	165,880	(3,250,535)
Other Programs and Services	2,350,930	709,630	-	-	(1,641,300)
School Food Services	6,090,406	472,689	7,005,839	-	1,388,122
Interest and Fees on Long-Term Debt	6,446,837	-	-	-	(6,446,837)
Health self-insurance	24,195,141	23,376,734	-	-	(818,407)
Total governmental activities	$ 219,755,819	$ 25,823,507	$ 26,087,070	$ 165,880	(167,679,362)
General Revenues					
Property taxes, levied for general purposes					26,359,467
Property taxes, levied for tuition, technology & alternative programs					2,281,045
Property taxes, levied for miscellaneous general provisions					5,019,255
Property taxes, levied for capital projects & building purposes					5,296,898
Property taxes, levied for special reserve					1,254,814
Property taxes, levied for debt service					18,065,045
Aids and payments from the state					105,038,493
Unrestricted investment earnings					195,563
Gain on disposal of property and equipment					50,608
Miscellaneous revenues					2,128,018
Total general revenues					165,689,206
Changes in Net Deficit					(1,990,156)
Net Deficit - Beginning, as adjusted (Note 13)					(1,781,690)
Net Deficit - Ending					$ (3,771,846)

West Fargo Public Schools
Governmental Funds
Balance Sheet
June 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Special Reserve Fund	Other Governmental Funds	Totals
Assets						
Cash and investments	$ 22,040,004	$ 8,818,523	$ 39,906,128	$ 6,827,012	$ 3,590,025	$ 81,181,692
Restricted cash and cash equivalents	-	3,337,208	-	-	-	3,337,208
Receivables						
Current property taxes	1,220,069	656,406	193,145	45,627	-	2,115,247
Accounts	24,600	-	165,880	-	665	191,145
Pledge	1,730,000	-	27,324	-	-	1,757,324
Due from other governmental units	4,010,030	-	-	-	245,378	4,255,408
Asset held for resale	29,000	-	-	-	-	29,000
Inventories	15,328	-	-	-	166,479	181,807
Total assets	$ 29,069,031	$ 12,812,137	$ 40,292,477	$ 6,872,639	$ 4,002,547	$ 93,048,831
Liabilities						
Accounts payable	$ 1,782,141	$ -	$ 3,319,653	$ -	$ 93,030	$ 5,194,824
Retainage payable	-	-	3,022,620	-	-	3,022,620
Salaries and benefits payable	3,795,751	-	-	-	14,943	3,810,694
Unearned revenue	89,905	-	-	-	421,308	511,213
Total liabilities	5,667,797	-	6,342,273	-	529,281	12,539,351
Deferred Inflows of Resources						
Unavailable revenue- property taxes	1,154,342	621,038	182,731	43,168	-	2,001,279
Pledge receivable	1,730,000	-	27,324	-	-	1,757,324
Total deferred inflows of resources	2,884,342	621,038	210,055	43,168	-	3,758,603
Fund Balance						
Nonspendable	15,328	-	-	-	166,479	181,807
Restricted	-	12,191,099	33,740,149	6,829,471	-	52,760,719
Assigned	-	-	-	-	3,306,787	3,306,787
Unassigned	20,501,564	-	-	-	-	20,501,564
Total fund balance	20,516,892	12,191,099	33,740,149	6,829,471	3,473,266	76,750,877
Total liabilities, deferred inflows of resources and fund balance	$ 29,069,031	$ 12,812,137	$ 40,292,477	$ 6,872,639	$ 4,002,547	$ 93,048,831

Total Fund Balances - Governmental Funds	$ 76,750,877
Amounts reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
Cost of Capital Assets	424,960,844
Less Accumulated Depreciation	(75,697,119)
Internal service funds are used by the District to charge the costs of the self-insured health insurance plan. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	8,788,193
Delinquent property taxes and pledge receivable are not considered available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	3,758,603
Net pension obligations and OPEB are not due and payable in the current period, and therefore are not reported in the governmental funds.	(200,206,940)
Deferred outflows and inflows of resources related to pensions and OPEB plans are applicable to future periods and, therefore, are not reported in the funds.	56,196,390
Long-term liabilities applicable to the district's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term are reported in the statement of net position. Balances at year end is made up of the following liabilities:	
Long Term Debt, net of bond premium and discount	(294,113,604)
Capital Lease Payable	(3,612)
Interest Payable	(3,222,365)
Compensated Absences	(983,113)
Total Net Deficit- Governmental Activities	$ (3,771,846)

West Fargo Public Schools
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Special Reserve Fund	Other Governmental Funds	Totals
Revenues						
Local sources	$ 37,939,403	$ 18,065,045	$ 5,296,898	$ 1,254,814	$ 935,290	$ 63,491,450
State sources	106,427,285	-	-	-	54,038	106,481,323
Federal sources	16,587,363	-	-	-	6,913,037	23,500,400
Other sources	322,060	53,682	973,304	28,049	16,772	1,393,867
Total revenues	161,276,111	18,118,727	6,270,202	1,282,863	7,919,137	194,867,040
Expenditures						
Current						
Regular instruction	79,877,059	-	-	-	-	79,877,059
Federal programs	11,971,107	-	-	-	-	11,971,107
Special education instruction	30,896,371	-	-	-	-	30,896,371
Career and technical education	3,108,223	-	-	-	-	3,108,223
School administration	7,477,692	-	-	-	-	7,477,692
General administration	4,049,870	-	-	-	-	4,049,870
Operations and maintenance	10,031,063	-	-	-	-	10,031,063
Student transportation	3,906,081	-	-	-	-	3,906,081
Other programs and services	1,754,498	-	-	-	-	1,754,498
School food services	-	-	-	-	6,016,460	6,016,460
Co-curricular activities	-	-	-	-	3,330,263	3,330,263
Capital outlay	-	-	52,802,047	-	-	52,802,047
Debt service						
Principal	-	9,640,220	276,448	-	-	9,916,668
Interest	-	8,963,404	234,032	-	-	9,197,436
Fiscal charges and fees	-	377,581	67,357	-	-	444,938
Total expenditures	153,071,964	18,981,205	53,379,884	-	9,346,723	234,779,776
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,204,147	(862,478)	(47,109,682)	1,282,863	(1,427,586)	(39,912,736)
Other Financing Sources (Uses)						
Transfer in (out)	(2,614,308)	2,071,331	(2,071,331)	(265,256)	2,879,564	-
Sale of property and equipment	50,608	-	-	-	-	50,608
Payment to bond refunded bond escrow agent	-	(47,180,000)	-	-	-	(47,180,000)
Refunding bonds issued	-	42,725,000	-	-	-	42,725,000
Special assessment issuance	-	-	6,736,344	-	-	6,736,344
Premium on refunding bond issuance	-	6,136,952	-	-	-	6,136,952
Total other financing sources (uses)	(2,563,700)	3,753,283	4,665,013	(265,256)	2,879,564	8,468,904
Net Change in Fund Balance	5,640,447	2,890,805	(42,444,669)	1,017,607	1,451,978	(31,443,832)
Fund Balance, Beginning of Year, as adjusted (Note 13)	14,876,445	9,300,294	76,184,818	5,811,864	2,021,288	108,194,709
Fund Balance, End of Year	$ 20,516,892	$ 12,191,099	$ 33,740,149	$ 6,829,471	$ 3,473,266	$ 76,750,877

Net Change in Fund Balances - Total Governmental Funds	$ (31,443,832)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense and net disposals in the current period.	44,985,693
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	456,391
In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.	(74,890)
In the statement of activities OPEB liabilities are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.	(17,934)
In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.	(18,208,130)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principle of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	3,130,952
Internal service funds are used by the District to charge the costs of the self-insured health insurance pool. The net revenue of the internal service fund is reported in governmental activities.	(818,406)
Change in Net Deficit of Governmental Activities	$ (1,990,156)

	Governmental Activities - Internal Service Fund
Assets	
Cash and investments	$ 11,627,017
Accounts receivable	135,983
Total assets	11,763,000
Liabilities	
Accounts payable	870,934
Claims incurred but not reported	2,103,873
Total liabilities	2,974,807
Net position	
Unrestricted	$ 8,788,193

	Governmental Activities - Internal Service Fund
Revenues	
Health premiums	$ 23,376,734
Expenses	
Health claims	21,516,808
Admin fees	2,678,332
Total expenses	24,195,140
Change in Net Position	(818,406)
Net Position, Beginning of Year	9,606,599
Net Position, End of Year	$ 8,788,193

	Governmental Activities - Internal Service Fund
Operating Activities	
Receipts from participants	$ 23,415,083
Payments for insurance claims and administration	(23,224,748)
Net cash from operating activities	190,335
Cash and Investments, July 1	11,436,682
Cash and Investments, June 30	$ 11,627,017

Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	$ (818,406)
Adjustments to reconcile operating income to net cash from operating activities	
Changes in assets and liabilities	
Accounts receivable	38,349
Accounts payable	274,120
Claims incurred but not reported	696,272
Net cash from operating activities	$ 190,335

Note 1 - Summary of Significant Accounting Policies

A. Organization

Independent School District No. 6, West Fargo Public Schools, West Fargo, North Dakota (the District) was formed and operates pursuant to applicable North Dakota laws and statutes. The District is governed by a School Board elected by voters of the District. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

The accompanying financial statements include all funds, departments, agencies, boards, commissions, and other organizations that comprise the District, along with any component units.

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial burden or benefit with the potential component unit, or is fiscally depended upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the District.

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The fiduciary funds are reported in the Statement of Fiduciary Net Position at the fund financial statement level. Generally, the effect of interfund activity has been removed from the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. For capital assets that can be specifically identified with, or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

Revenue Recognition – Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District generally considers revenues to be available if they are collected within 30 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies. Federal revenue is recorded in the year in which the related expenditure is made. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Recording of Expenditures – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt, severance and healthcare benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are included within the applicable functional areas.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service fund is receipts from participants. Operating expenses for the internal service fund includes payments for insurance claims and administration. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Description of Funds

Each fund is accounted for as an independent entity. A description of the funds included in this report are as follows:

Major Governmental Funds

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

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

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

Special Reserve Fund – This fund is used to account for the accumulation of resources from the special reserve levy. The special reserve is designed to provide cash flow to the District when general fund reserves are spent. This traditionally happens at the end of December, before the next year taxes are collected. If the special reserve is not needed for cash flow, there is a provision in the law that allows the School Board to transfer up to half of the balance to the general fund to be used for any allowable purpose. In accordance with NDCC 57-19-01, the ending fund balance is limited to the amount generated by fifteen (15) mills times the taxable valuation of the District. The District has recently been using these funds to offset costs associated with the opening of new school buildings. In the first year of operation, up to 40% of the estimated costs of the new facility are transferred to the general fund and in the second year of operation, up to 20% of the estimated costs are transferred.

Proprietary Fund

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

With respect to proprietary activities, the District has adopted GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements."

Amounts reported as program revenues include the following: amounts received from those who purchase, use, or directly benefit from a program; amounts received from parties outside the District that are restricted to one or more specific programs; and earnings on investments that are legally restricted for a specific program. Revenues that do not meet the previous criteria are reported as general revenues.

Proprietary funds report operating revenues and expenses separately from nonoperating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's proprietary fund are charges to participants for health insurance plans. Operating expenses for proprietary funds include the cost of health insurance and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. Other Significant Accounting Policies

Budgeting

An operating budget is adopted by July 1 of each fiscal year for all governmental funds on the same modified accrual basis used to reflect actual revenues and expenditures. The superintendent is authorized to transfer budget amounts within line items; however, supplemental appropriations that amend total appropriations of any fund require a board resolution. Reported budgeted amounts are as originally adopted or as amended by board resolution. Unencumbered appropriations lapse at year-end.

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 3 months or more. Deposits must either be deposited with the Bank of North Dakota or in other financial institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the uninsured balance.

Investments consist of certificates of deposits stated at cost and U.S. government-backed securities stated at fair market value.

Restricted Cash and Cash Equivalents

The district has amounts held in a bond sinking fund within the Debt Service Fund. These funds will be held as restricted cash until they are used to pay off the related bonds.

Receivables

All receivables are shown net of any allowance for uncollectibles. No allowances for uncollectibles have been recorded. The only receivables not expected to be collected within one year are property taxes receivable and pledges.

Inventories

Inventories are recorded using the consumption method of accounting and consist of purchased food, supplies, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method. Surplus commodities are stated at standardized costs, as determined by the U.S. Department of Agriculture.

Property Taxes

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.

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 30 days of year-end is deferred in the fund financial statements because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes is considered necessary.

Capital Assets

Capital assets are capitalized at historical cost or estimated historical cost for assets where actual historic cost is not available. Donated assets are recorded as capital assets at acquisition value at the date of donation. The District maintains a threshold level of $5,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 5 to 50 years.

Capital assets not being depreciated include land and construction in progress.

Buses are assumed to have a salvage value of $1,500 each. Other vehicles are assumed to have a salvage value of 5% of cost basis. Copy machines are assumed to have a salvage value of 2% of cost basis.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, if material, are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures and expensed when incurred.

Compensated Absences Payable

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

Classified Staff – Vacation is earned by staff who work at least 30 hours per week, 12 months per year at the rate of 12, 15, 18, 21 or 24 days per year based on years of service. The employee's vacation leave that is earned between July 1 and June 30th of each fiscal year must be used by the following June 30, or it is forfeited. Compensation for all earned and available vacation is paid to the classified employee upon termination of employment with the district.

Personal leave is available to all classified employees who do not qualify for vacation leave with the exception of administrators or employees who are designated as temporary staff. Qualified employees who earn personal leave must work a regular schedule of at least nine months and earn two days (based on their assigned workday) per year of personal leave. Earned personal leave is not made available for use until the employee has been in the employ of the District for at least 60 days. Requests to use personal leave must be made two days in advance and are subject to supervisory approval. If unused, up to four days of personal leave may be carried forward into the next fiscal year. Compensation for all earned and available personal leave is paid to the classified employee upon termination of employment with the district.

Licensed Staff – Personal leave is available to all licensed employees with the exception of administrators or employees who are designated as temporary staff. Employees earn two days per year (based on their assigned work day) of personal leave, with a maximum accumulation of five days. Earned personal leave is made available for use by the licensed employee immediately upon employment. Requests to use personal leave must be made 48 hours in advance and must be approved by the building principals subject to limits set forth in the master contract. If unused at the end of a fiscal year, three days of personal leave may be carried forward into the next fiscal year. Compensation for all earned and available personal leave is paid to the licensed employee upon termination of employment with the district.

Sick leave is earned by classified employees at the rate of one working day per month and by licensed employees at the rate of twelve days per contract year. The District does provide a payout of up to 45 days at $100 per eight-hour workday for unused sick leave for employees who meet the following requirements;

1) 10 years of employment with the District
2) Employees are TFFR or PERS eligible
3) Employees declare their intention to retire no later than May 1, or four weeks in advance of the retirement date

Unearned Revenue

The District receives donations from several organizations and the amount that is not spent in the fiscal year is reported as unearned revenue. The donations will be spent in the subsequent fiscal year for miscellaneous projects throughout the District.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and the North Dakota Teacher's Fund for Retirement (NDTFFR) and additions to/deductions from NDPERS and NDTFFR fiduciary net position have been determined on the same basis as they are reported by NDPERS and NDTFFR. 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.

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.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. It is the contributions made to pension plans after the measurement date and prior to the fiscal year-end, and changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has four types of items that qualify for reporting in this category. The District reports unavailable revenues from property taxes and pledges receivable on the government-wide statement of net position and the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other two items are changes in the total other postemployment benefits liability, and net pension liability reported in the government-wide statement of net position.

Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal year 2021.

Interfund Transactions

In the governmental fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions, except reimbursements, are reported as transfers. In the government-wide financial statements, interfund transactions have been eliminated.

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 of 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.

Fund Balance

The following classifications describe the relative strength of spending constraints:

- Nonspendable fund balance amounts are comprised of funds that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. They include items that are inherently unspendable, such as, but not limited to, inventories, prepaid items, long-term receivables, non-financial assets held for resale, or the permanent principal of endowment funds.

- Restricted fund balance amounts are comprised of funds that have legally enforceable constraints placed on their use that are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

- Committed fund balance amounts are comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the School Board and that remain binding unless removed by the School Board by subsequent formal action. The formal action to commit a fund balance must occur prior to fiscal year end; however, the specific amounts actually committed can be determined in the subsequent fiscal year. A committed fund balance cannot be a negative number. A majority vote of the School Board is required to commit a fund balance to a specific purpose and subsequently to remove or change any constraint so adopted by the board.

- Assigned fund balance amounts are comprised of unrestricted funds constrained by the District's intent that they be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. In funds other than the general fund, the assigned fund balance represents the remaining amount that is not restricted or committed. The assigned fund balance category will cover the portion of a fund balance that reflects the District's intended use of those resources. The action to assign a fund balance may be taken after the end of the fiscal year. An assigned fund balance cannot be a negative number. A School Board, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The board also delegates the power to assign fund balances to the following: Superintendent and Assistant Superintendent. Assignments so made shall be reported to the School Board on a monthly basis, either separately or as part of ongoing reporting by the assigning party if other than the School Board.

- Unassigned fund balance amounts are comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

The first priority is to utilize the balance as restricted fund balance. Committed funds will be considered second with assigned fund balance third when expenditures is incurred for purposes for which amounts in any of those unrestricted fund balance classification could be used like assigned or unassigned.

Fund Balance Spending Policy – 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.

Minimum Fund Balance Policy – The School Board adopted a policy that establishes a 10-14% general fund carryover balance target to help with financial stability. The 10-14% fund balance range is a part of the budget recommendation adopted by the School Board each fiscal year. This level provides sufficient unassigned resources to avoid short-term cash flow borrowing for the District.

Budget Stabilization Policy – Replenishing deficiencies – when fund balance falls below the minimum 10 percent range, the District will replenish shortages/deficiencies using the budget strategies and timeframes described as follows.

The following budgetary strategies shall be utilized by the District to replenish funding deficiencies:

- The District will reduce recurring expenditures to eliminate any structural deficit; or
- The District will increase revenues or pursue other funding sources; or
- Some combination of the two options above.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Implementation of GASB Statement No. 84

As of July 1, 2020, the District adopted GASB Statement No. 84, Fiduciary Activities. The objective of this statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in the student activity funds and other agency funds being changed from reporting as a fiduciary fund to the General Fund. The effect of the implementation of this standard on beginning net position and fund balance is disclosed in Note 13.

Note 2 - Deposits and Investments

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

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

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

At year end June 30, 2021, the District’s carrying amount of deposits was $92,808,709, and the bank balances totaled $92,732,655. Of the bank balances, $91,940,694 was covered by Federal Depository Insurance or Securities Investor Protection Corporation Insurance. The remaining bank balances that required pledges were collateralized with securities held by the pledging financial institution's agent in the government's name.

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of bank failure, the District's deposits may be lost. The District does not have an investment policy for credit risk.

Credit Risk – The District may invest idle funds as authorized in North Dakota Statutes, as follows:

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

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.

The following table presents the District's deposit and investment balances at June 30, 2021:

		Investment Maturities (in Years)	
Type	Fair Value	N/A	< 1
Cash and cash equivalents			
Deposits	$ 73,700,348	$ 73,700,348	$ -
Money market	19,102,281	19,102,281	-
Petty cash	6,080	6,080	-
Investments			
Fixed income	3,337,208	-	3,337,208
	$ 96,145,917	$ 92,808,709	$ 3,337,208

Cash and investments are included on the basic financial statements as follows:

Cash and Investments - Statement of Net Position	$ 92,808,709
Restricted Cash and Cash Equivalents - Statement of Net Position	3,337,208
	$ 96,145,917

Note 3 - Fair Value of Instruments

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

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

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

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

US Treasury bonds totaling $3,337,208 were classified as Level 2 inputs as of June 30, 2021.

Note 4 - Due from Other Governmental Units

Amounts receivable from other governments as of June 30, 2021, include:

Fund	Federal	State	Other	Total
Major funds				
General	$ 2,830,315	$ 248,542	931,173	$ 4,010,030
Non-major funds	245,378	-	-	245,378
	$ 3,075,693	$ 248,542	$ 931,173	$ 4,255,408

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2021 is a follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets not being depreciated				
Land	$ 14,624,001	$ -	$ -	$ 14,624,001
Construction in progress	35,976,967	44,714,848	(2,218,009)	78,473,806
Total capital assets, not being depreciated	50,600,968	44,714,848	(2,218,009)	93,097,807
Capital assets being depreciated				
Buildings	302,046,701	380,946	-	302,427,647
Equipment	4,272,837	177,533	(515,823)	3,934,547
Vehicles	5,276,697	555,097	(257,306)	5,574,488
Parking Lots	1,013,831	-	-	1,013,831
Land Improvements	9,738,634	9,173,890	-	18,912,524
Total capital assets being depreciated	322,348,700	10,287,466	(773,129)	331,863,037
Less accumulated depreciation for				
Buildings	58,681,485	6,224,293	-	64,905,778
Equipment	2,815,801	367,573	(462,304)	2,721,070
Vehicles	2,470,718	369,420	(236,319)	2,603,819
Parking Lots	752,603	62,365	-	814,968
Land Improvements	3,951,029	700,455	-	4,651,484
Total accumulated depreciation	68,671,636	7,724,106	(698,623)	75,697,119
Net capital assets, depreciated	253,677,064	2,563,360	(74,506)	256,165,918
Total capital assets, net	$ 304,278,032	$ 47,278,208	$ (2,292,515)	$ 349,263,725

Depreciation expense for the year ended June 30, 2021 was charged to the following functions/programs:

Regular instruction	$ 127,734
Special education	1,162
Career and Technical education	9,414
General administration	83,064
Food service	56,015
Operations and maintenance	6,630,761
Transportation	360,005
Co-Curricular	455,951
Total depreciation expense	$ 7,724,106

Construction in progress is for Heritage Middle School, the Horace Athletic Complex, Horace High School, Horace Elementary, Brooks Harbor, Transportation Center Fueling Station, as well as various school remodel and security and telecommunications upgrades.

Note 6 - Long-Term Liabilities

Changes in long-term liabilities during the year ended June 30, 2021 are as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
Bonds payable	$ 281,862,100	$ 42,725,000	$ 56,820,220	$ 267,766,880	$ 9,972,146
Direct borrowings,	-				
capital leases	6,312	-	2,700	3,612	2,830
Special assessments payable	-	6,736,344	276,448	6,459,896	276,531
Unamortized premium on bond issuance	16,898,700	6,136,952	3,148,824	19,886,828	1,486,143
Unamortized discount on bond issuance	(533,823)	-	(533,823)	-	-
Compensated absences **	908,223	74,890	-	983,113	983,113
	$ 299,141,512	$ 55,673,186	$ 59,714,369	$ 295,100,329	$ 12,720,763

** The change in compensated absences is shown as a net change for the year.

Following is a summary of outstanding debt as of June 30, 2021:

General Obligation and Lease Revenue Bonds	Final	Interest Rate	Original Principal	Outstanding Balance
General Obligation School Building Bonds, Series 2002B	6/22	1.00%	$ 2,500,000	$ 137,166
Limited Tax School Building Bonds, Series 2010B	6/22	5.75%	5,000,000	5,000,000
General Obligation State School Construction Bonds, Series 2005	6/21	1.00%	2,500,000	540,571
General Obligation State School Construction Bonds, Series 2013A	5/33	4.00%	2,260,000	2,194,468
School Building Bonds Limited Tax, Series 2013/2015	5/33	1.23%	9,400,000	6,186,707
General Obligation State School Construction Bonds, Series 2013D	5/33	1.00%	9,040,000	5,637,313
General Obligation School Building Bonds, Series 2015B	5/35	3.00%	7,650,000	7,650,000
General Obligation School Building Bonds, Series 2016A	5/36	2.00%- 4.00%	45,000,000	35,985,000
General Obligation School Building Refunding Bonds, Series 2017	8/36	2.00%- 3.25%	45,450,000	40,300,000
Limited Tax School Building Bonds, Series 2018	8/38	4.00%- 5.00%	10,155,000	9,570,000
General Obligation School Building Bonds, Series 2019	8/38	4.00%- 5.00%	33,400,000	32,595,000
General Obligation State School Construction Fund Bonds, Series 2020A	6/40	2.00%	10,000,000	9,585,655
General Obligation School Building Bonds, Series 2020B	8/39	3.00%- 5.00%	59,145,000	59,145,000
General Obligation Special Assessment Prepayment Bonds 2020C	8/35	2.25%- 4.00%	10,515,000	10,515,000
General Obligation Refunding Bonds 2021	8/31	2.00%- 5.00%	42,725,000	42,725,000
				$ 267,766,880

During the year ended June 30, 2021, the district issued $42,725,000 of General Obligation Refunding Bonds 2021 to refund existing bonds used to construct additions to school buildings, renovate, remodel, and improve school buildings. The bond bears an interest rate ranging from 2.00% to 5.00% and requires annual interest and principal payments commencing February 2022 through August 2031. The refunded bonds resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $7,651,610.

Bonds Payable – These are for the acquisition and betterment of school sites and facilities, as well as facility improvements. Payments are made out of the debt service fund.

Special Assessments Payable added during 2021 totaling $6,736,344 and represented special assessment taxes levied by the City of Fargo, ND, City of West Fargo, ND, City of Horace, ND, and the City of Harwood, ND against the District for the district's share of the benefit derived from city funded improvements. The special assessments payable are due in varying annual installments through 2045 with interest at 3.0% to 4.0%. Principal and interest payments are made by the capital projects fund.

Capital Lease Payable totaling $3,612 is for a postage machine lease through September 2022 due in monthly installments of $240 with interest at 2.37%. Total costs of the capital assets as of June 30, 2021 was $13,584, and total accumulated depreciation of $10,867. Payments on the capital leases are made out of the general fund.

Compensated absences payable – This amount consists of unused vacation and personal leave as discussed in Note 1. These expenses are paid out of the general fund.

Remaining principal and interest payments on long-term debt are as follows:

	Bonds Payable		Direct Borrowings, Capital Lease Payable		Special Assessment payable		Unamortized Bond	Total	
Years Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Premium	Principal	Interest
2022	$ 9,972,146	$ 9,006,777	$ 2,830	$ 53	$ 276,531	$ 277,281	$ 1,486,143	$ 10,251,507	$ 9,284,111
2023	12,404,032	8,835,292	782	3	276,618	265,398	1,486,143	12,681,432	9,100,693
2024	13,568,461	8,325,737	-	-	276,707	253,512	1,486,143	13,845,168	8,579,249
2025	14,228,274	7,763,675	-	-	276,799	241,622	1,485,168	14,505,073	8,005,297
2026	14,829,937	7,169,398	-	-	276,895	229,729	1,485,168	15,106,832	7,399,127
2027 - 2031	90,975,744	25,306,450	-	-	1,386,036	970,126	6,441,154	92,361,780	26,276,576
2032 - 2036	81,088,344	11,193,014	-	-	1,389,003	672,230	6,016,908	82,477,347	11,865,244
2037 - 2041	30,699,942	1,711,200	-	-	1,391,231	373,791	-	32,091,173	2,084,991
2042 - 2045	-	-	-	-	910,076	83,863	-	910,076	83,863
	$ 267,766,880	$ 79,311,543	$ 3,612	$ 56	$ 6,459,896	$ 3,367,552	$ 19,886,828	$ 274,230,388	$ 82,679,151

Note 7 - Transfers

The following is a reconciliation of transfers in and transfers out as reported in the government fund financial statements for the year ended June 30, 2021:

Fund	Transfers In	Transfers Out
Major funds		
General	$ 346,156	$ (2,960,464)
Capital Projects	-	(2,071,331)
Debt Service	2,071,331	-
Special Reserve	-	(265,256)
Non-major funds	2,960,464	(80,900)
	$ 5,377,951	$ (5,377,951)

As of June 30, 2021, the general fund transferred $2,960,464 to the co-curricular fund to cover their expenditures. The capital projects fund transferred $2,071,331 to the debt service fund to cover debt payments. The food service fund transferred $80,900 to the general fund for building rent. The special reserve fund transferred $265,256 to the general fund to cover revenue shortfalls as a result of COVID-19, but was lower than anticipated in the budget due to ESSER funding received and reduced costs throughout the District related to travel, supplies, and other expenses during quarantine and the significant amount of remote classes.

Note 8 - Defined Benefit Pension Plans

1. General Information about the TFFR Pension Plan

North Dakota Teachers' Fund for Retirement (TFFR)

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

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

At June 30, 2021, the District reported a liability of $141,049,476 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 pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2020, the District's proportion was 9.2159%, which was an increase of 0.0235% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the district recognized net pension expense of $17,791,656. 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 economic experience	$ 29,086	$ 5,293,288
Changes in actuarial assumptions	6,348,467	-
Difference between projected and actual investment earnings	8,707,186	-
Change in proportion and differences between contributions made and District's proportionate share of contributions	8,747,885	-
District's contributions to TFFR subsequent to the measurement date	9,154,170	-
Total	$ 32,986,794	$ 5,293,288

The $9,154,170 reported as deferred outflows of resources and deferred inflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 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:

Years Ended June 30,	Pension Expense Amount
2022	$ 5,502,189
2023	4,575,285
2024	4,538,709
2025	2,791,465
2026	676,973
Thereafter	454,715

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:

Assumptions	TFFR
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, including inflation
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.

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

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:

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Global Equity	58%	6.9%
Global Fixed Income	23%	1.3%
Global Real Assets	18%	5.0%
Cash Equivalents	1%	0.0%
	100%	

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 Employer's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
TFFR discount rate	6.25%	7.25%	8.25%
District's proportionate share of the TFFR net pension liability	$ 187,870,322	$ 141,049,476	$ 102,138,949

Pension Plan Fiduciary Net Position

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

2. PENSION PLANS - ND PERS

General Information about the NDPERS Pension Plan

North Dakota Public Employees Retirement System (NDPERS) (Main System)

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

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

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

Pension Benefits

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

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

At June 30, 2021, the District reported a liability of $57,715,399 for its proportionate share of 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 1.8346%, which is a decrease of 0.0183% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the District recognized net pension expense of $11,114,876. 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 economic experience	$ 224,606	$ 2,924,494
Changes in actuarial assumptions	30,939,097	5,114,997
Difference between projected and actual investment earnings	1,862,761	-
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,612,379	157,926
District's contributions to NDPERS subsequent to the measurement date	1,532,862	-
Total	$ 36,171,705	$ 8,197,417

The $1,532,862 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 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.

Years Ended June 30,	Pension Expense Amount
2022	$ 8,093,480
2023	6,880,832
2024	5,534,831
2025	5,932,283

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:

Assumptions	NDPERS
Inflation	2.25% per year
Salary Increases	3.50% to 17.75% including inflation
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:

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.30%
International Equity	21%	6.85%
Private Equity	7%	9.75%
Domestic Fixed Income	23%	1.25%
Global Real Assets	19%	5.01%
Cash Equivalents	0%	0.00%
	100%	

Discount Rate

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; 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 Employer's proportionate share of the net pension liability calculated using the discount rate of 4.64 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.64 percent) or 1-percentage-point higher (5.64 percent) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
NDPERS discount rate	3.64%	4.64%	5.64%
District's proportionate share of the NDPERS net pension liability	$ 74,881,397	$ 57,715,399	$ 43,669,430

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

NDPERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained on the internet at www.nd.gov/ndpers, or by writing to NDPERS at PO Box 1657, Bismarck, ND 58502.

Note 9 - Other Post-Employment Benefits (OPEB) – ND PERS

General Information about the OPEB Plan

North Dakota Public Employees Retirement System OPEB Plan

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

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

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

OPEB Benefits

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

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

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

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 $1,442,065 for its proportionate share of 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 1.7143 percent, which was a decrease of 0.01296% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized OPEB expense of $227,353. 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	$ 32,023	$ 34,573
Changes in assumptions	193,353	-
Difference between projected and actual investment earnings	49,591	-
Change in proportion and differences between contributions made and District's proportionate share of contributions	86,217	5,084
Employer contributions subsequent to the measurement date	207,069	-
	$ 568,253	$ 39,657

The $207,069 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.

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

Years Ended June 30,	Pension Expense Amount
2022	$ 66,228
2023	79,046
2024	76,694
2025	62,234
2026	32,739
Thereafter	4,586

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 adjustment	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:

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	6.10%
Small Cap Domestic Equities	6%	7.00%
Fixed income	40%	1.15%
International equity	21%	6.45%
	100%	

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 Changes 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%, 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 in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount rate	5.50%	6.50%	7.50%
Net OPEB Liability	$ 1,891,301	$ 1,442,065	$ 1,062,176

Note 10 - Commitments and Contingencies

Federal Revenue

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Contingencies

The District has the usual and customary legal claims pending at year-end. Although the outcomes of these lawsuits are not presently determinable, the District believes that the resolution of these matters will not have a material adverse effect on its financial position.

Management and Sponsorship Agreements

The District has a management agreement in place with West Fargo Events to manage the West Fargo Sports Arena through June 30, 2023. The District pays West Fargo Events $154,000 annually through July 31, 2021. Commencing on August 1, 2021, the District will pay an annual management fee of $254,000 to be paid quarterly through the end of the agreement term.

The District has two sponsorship agreements with Essentia Health in place. The first is a sports medicine services sponsorship agreement in which the District receives $160,000 annually through July 1, 2028. The second sponsorship agreement relates to the West Fargo Sports Arena main rink which the District receives $37,500 annually through July 1, 2032.

Operating Lease Revenue

The District has various rental agreements in place as of June 30, 2021. The first is a lease between the District and SENDCAA in which the District receives $22,705 annually through July 31, 2021.

The District serves as the landlord for a rental agreement with West Fargo Public Library. The District receives $143,880 annually through August 31, 2022.

The third lease is a rental agreement with YMCA of Cass and Clay Counties. The District receives $80,300 annually through May 31, 2030.

The final lease is a rental agreement with 702 Communications for use of EBS Channels. The District receives $500 monthly through July 31, 2025.

Future lease revenue will be recognized as follows:

Years Ending June 30,	Amount
2022	$ 252,885
2023	86,300
2024	86,300
2025	86,300
2026	80,300
2027-2030	321,200
	$ 913,285

Commitments

The District had the following CIP commitments for construction contracts as of June 30, 2021.

Project	Project Cost	Project Costs Spent To Date	Remaining CIP Balance
Horace HS Athletic Complex	$ 7,630,439	$ 5,717,173	$ 1,913,266
Heritage Middle School	33,612,272	33,570,997	41,275
Horace High School	47,766,366	32,381,364	15,385,002
Horace Elementary	7,548,690	1,692,167	5,856,523
Brooks Harbor Elementary	2,011,940	98,616	1,913,324
Secured Entrances	4,028,128	3,161,413	866,715
Security Improvements	1,629,430	1,065,246	564,184
Transportation Center Fueling Station	923,900	166,614	757,286
WFHS Energy Savings	627,109	421,265	205,844
Telecommunications Upgrade - COVID	245,802	198,951	46,851
	$ 106,024,076	$ 78,473,806	$ 27,550,270

In addition, the district has the following commitments specific to retainage as of June 30, 2021.

Project	Total Contract with Change Orders	Total Completed	Retainage Payable	Remaining Balance
Heritage Middle School	$ 4,154,314	$ 4,152,069	$ 41,543	$ 43,788
Horace Athletic Complex	5,171,838	4,050,728	254,572	1,375,682
Horace High School	43,022,763	30,254,909	2,476,467	15,244,321
Horace Elementary	6,470,582	1,270,063	127,007	5,327,526
Security Upgrades - Phase 7	886,000	419,819	41,982	508,163
Secured Entrances	1,177,741	407,073	45,237	815,905
Transportation Center Fueling Station	904,775	147,489	14,749	772,035
WFHS Energy Savings	627,109	421,265	21,063	226,907
	$ 62,415,122	$ 41,123,415	$ 3,022,620	$ 24,314,327

Note 11 - Tax Abatements

Cass County and certain political subdivisions within the county can negotiate property tax abatement agreements with individuals and various commercial entities/businesses. Cass County and the political subdivisions within have the following types of tax abatement agreements with various individuals and commercial entities at December 31, 2020 and effective through June 30, 2021.

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

New and Expanding Business

Businesses that are primarily industrial, commercial, retail or service are eligible for property tax incentives for new and expanding businesses if they meet state requirements (NDCC 40.57.1-03) and the guidelines stated below.

The following criteria are only guidelines.

General Criteria – The governing body of the city or county may grant a partial or complete exemption from ad valorem taxation on all buildings, structure, fixtures, and improvements used in or necessary to the operation of a project for period not exceeding five years from the date of commencement of project operations. The governing body may also grant a partial or complete exemption from ad valorem taxation on buildings, structures, fixtures, and improvements used in or necessary to the operation of a project that produces or manufactures a product from agricultural commodities for all or part of the sixth year through the tenth year from the date of commencement of project operations. As a result of agreements made by the county and city, the District had a reduction in taxes as noted.

Reduction in taxes due to agreements with other entities – $145,150.

Public Charity Exemption

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

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

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

As a result of agreements made by the county and city, the District had a reduction in taxes as noted.

Reduction in taxes due to agreements with other entities – $1,906,498.

Single Family Residence

Single family property owners are eligible for property tax incentives for the specified property that meet state requirements (NDCC 57-02-08(35) and NDCC 57-02-08(42)). General Criteria -- Up to one hundred fifty thousand dollars of the true and full value of all new single-family and condominium and townhouse residential property, exclusive of the land on which it is situated, is exempt from taxation for the first two taxable years after the taxable year in which construction is completed and the residence is owned and occupied for the first time if all the following conditions are met:

a. The governing body of the city, for property within city limits, or the governing body of the county, for property outside city limits, has approved the exemption of the property by resolution. A resolution adopted under this subsection may be rescinded or amended at any time. The governing body of the city or county may limit or impose conditions upon exemptions under this subsection, including limitations on the time during which an exemption is allowed.

b. Special assessments and taxes on the property upon which the residence is situated are not delinquent.

As a result of agreements made by the county and city, the District had a reduction in taxes as noted.

Reduction in taxes due to agreements with other entities – $764,632.

Childhood Service Exemption

A governing body may grant a property tax exemption for the portion of fixtures, buildings, and improvements, used primarily to provide early childhood services by a corporation, limited liability company, or organization licensed under NDCC 50-11.1 or used primarily as an adult day care center. (NDCC 57-02-08(36).

This exemption is not available for property used as a residence.

As a result of agreements made by the county and city, the District had a reduction in taxes as noted.

Reduction in taxes due to agreements with other entities – $106,356.

Commercial and Residential

Commercial and residential property are eligible for property tax incentives if they meet state requirements (NDCC 57-05.2-03) and the guidelines stated below. The following criteria are only guidelines.

Under NDCC 57-02.2-03 improvements to commercial and residential buildings and structures as defined in this chapter may be exempt from assessment and taxation for up to five years from the date of commencement of making the improvements, if the exemption is approved by the governing body of the city, for property within city limits, or the governing body of the county, for property outside city limits. The governing body of the city or county may limit or impose conditions upon exemptions under this section, including limitations on the time during which an exemption is allowed. A resolution adopted by the governing body of the city or county under this section may be rescinded or amended at any time. The exemption provided by this chapter shall apply only to that part of the valuation resulting from the improvements which is over and above the assessed valuation, exclusive of the land, placed upon the building or structure for the last assessment period immediately preceding the date of commencement of the improvements. Any person, corporation, limited liability company, association, or organization owning real property and seeking an exemption under this chapter shall file with the assessor a certificate setting out the facts upon which the claim for exemption is based. The assessor shall determine whether the improvements qualify for the exemption based on the resolution of the governing body of the city or county, and if the assessor determines that the exemption should apply, upon approval of the governing body, the exemption is valid for the prescribed period and shall not terminate upon the sale or exchange of the property but shall be transferable to subsequent owners. If the certificate is not filed as herein provided, the assessor shall regard the improvements as nonexempt and shall assess them as such.

As a result of agreements made by the county and city, the District had a reduction in taxes as noted.

Reduction in taxes due to agreements with other entities – $71,866.

Note 12 - Health Self-Insurance

The District is self-insured with respect to health, vision, and dental insurance costs. Terms of the plan include a stop-loss prevention of $200,000, which limits the District's liability. The following is the activity for the year ended June 30, 2021:

Claims incurred but not reported at beginning of year	$ 1,407,601
Claims incurred	22,202,621
Claims paid	(21,506,349)
Claims incurred but not reported at end of year	$ 2,103,873

Note 13 - Adoption of New Standard

As of July 1, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities*. Due to the new standard the District's student activity accounts will now be held in and accounted for in the General Fund. Student activity accounts were previously accounted for in the agency fund. The following table describes the effects of the implementation of GASB 84 on beginning net position/fund balance.

	Governmental Activities	General Fund	Total Governmental Funds
Net Deficit/Fund Balance - June 30, 2020, as previously reported	$ (3,162,706)	$ 13,495,429	$ 106,813,693
Reclassification of student activity funds from agency funds to the General Fund	1,381,016	1,381,016	1,381,016
Net Deficit/Fund Balance - July 1, 2020, as adjusted	$ (1,781,690)	$ 14,876,445	$ 108,194,709

Note 14 - Fund Balance

	General	Capital Projects	Debt Service	Special Reserve	Other Government Funds	Totals
Nonspendable						
Inventories	$ 15,328	$ -	$ -	$ -	$ 166,479	$ 181,807
Restricted						
Capital Projects	-	33,740,149	-	-	-	33,740,149
Debt service	-	-	12,191,099	-	-	12,191,099
Special reserve	-	-	-	6,829,471	-	6,829,471
Total restricted	-	33,740,149	12,191,099	6,829,471	-	52,760,719
Assigned						
Food service	-	-	-	-	3,306,787	3,306,787
Unassigned	20,501,564	-	-	-	-	20,501,564
Total fund balance	$ 20,516,892	$ 33,740,149	$ 12,191,099	$ 6,829,471	$ 3,473,266	$ 76,750,877

Required Supplementary Information
June 30, 2021

West Fargo Public Schools

Schedule of Employers Share of Net OPEB Liability*

NDPERS - OPEB	2021	2020	2019	2018
School District's proportion of the net OPEB liability	1.71%	1.73%	1.61%	1.56%
School District's proportionate share of the net OPEB liability	$ 1,442,065	$ 1,387,313	$ 1,270,877	$ 1,231,587
School District's covered payroll	$ 19,542,516	$ 19,273,761	$ 17,657,070	$ 16,844,034
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	7.38%	7.20%	7.20%	7.31%
Plan fiduciary net position as a percentage of the total OPEB liability	63.38%	63.13%	61.89%	59.78%

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

NDPERS - OPEB	2021	2020	2019	2018
Statutory required contribution	$ 222,785	$ 224,154	$ 207,107	$ 195,800
Contributions in relation to the statutory required contribution	$ 230,282	$ 228,300	$ 202,783	$ 196,029
Contribution deficiency	$ (7,498)	$ (4,146)	$ 4,324	$ (229)
School District's covered payroll	$ 19,542,516	$ 19,273,761	$ 17,657,070	$ 18,044,177
Contributions as a percentage of covered payroll	1.18%	1.18%	1.15%	1.09%

*GASB Statements No. 75 require ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years*

Pension Plan	Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated With District (b)	Total (d) (a+b)	Employer's Covered Payroll (e)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Payroll (a/e)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
ND TFFR	6/30/2020	9.2159%	$ 141,049,476	N/A	$ 141,049,476	$ 67,254,429	209.73%	63.4%
ND TFFR	6/30/2019	9.1924%	$ 126,602,640	N/A	$ 126,602,640	$ 64,487,314	196.32%	65.5%
ND TFFR	6/30/2018	8.9054%	$ 118,696,763	N/A	$ 118,696,763	$ 60,539,948	196.06%	65.5%
ND TFFR	6/30/2017	8.7003%	$ 119,500,250	N/A	$ 119,500,250	$ 58,724,231	203.49%	63.2%
ND TFFR	6/30/2016	8.2426%	$ 120,758,557	N/A	$ 120,758,557	$ 53,554,062	225.49%	59.2%
ND TFFR	6/30/2015	7.8251%	$ 102,340,701	N/A	$ 102,340,701	$ 48,132,439	212.62%	62.1%
ND PERS	6/30/2020	1.8346%	$ 57,715,399	N/A	$ 57,715,399	$ 20,211,108	285.56%	48.9%
ND PERS	6/30/2019	1.8529%	$ 21,717,833	N/A	$ 21,717,833	$ 19,440,026	111.72%	71.7%
ND PERS	6/30/2018	1.7188%	$ 29,005,866	N/A	$ 29,005,866	$ 17,657,066	164.27%	63.5%
ND PERS	6/30/2017	1.6500%	$ 26,521,108	N/A	$ 26,521,108	$ 16,844,034	157.45%	62.0%
ND PERS	6/30/2016	1.5483%	$ 15,089,332	N/A	$ 15,089,332	$ 15,602,834	96.71%	70.5%
ND PERS	6/30/2015	1.4262%	$ 15,089,332	N/A	$ 15,089,332	$ 12,705,578	118.76%	77.2%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Schedule of Employer's Contributions
Last 10 Fiscal Years*

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
ND TFFR	6/30/2021	$ 8,154,170	$ 8,154,170	$ -	$ 63,954,275	12.75%
ND TFFR	6/30/2020	$ 8,574,923	$ 8,574,923	$ -	$ 67,254,249	12.75%
ND TFFR	6/30/2019	$ 8,222,133	$ 8,222,133	$ -	$ 64,487,314	12.75%
ND TFFR	6/30/2018	$ 7,487,341	$ 7,487,341	$ -	$ 60,539,948	12.37%
ND TFFR	6/30/2017	$ 6,828,144	$ 6,828,144	$ -	$ 58,724,231	11.63%
ND TFFR	6/30/2016	$ 6,136,591	$ 6,136,591	$ -	$ 53,554,062	11.46%
ND PERS	6/30/2021	$ 1,532,862	$ 1,532,862		$ 21,408,687	7.16%
ND PERS	6/30/2020	$ 1,438,250	$ 1,438,250	$ -	$ 20,211,108	7.12%
ND PERS	6/30/2019	$ 1,383,309	$ 1,383,309	$ -	$ 19,440,026	7.12%
ND PERS	6/30/2018	$ 1,257,183	$ 1,257,183	$ -	$ 17,657,066	7.12%
ND PERS	6/30/2017	$ 1,199,295	$ 1,199,295	$ -	$ 16,844,034	7.12%
ND PERS	6/30/2016	$ 1,110,922	$ 1,110,922	$ -	$ 15,602,834	7.12%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Changes of Assumptions

North Dakota Teachers' Fund for Retirement (TFFR)

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

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

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

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

North Dakota Public Employees Retirement System (NDPERS)

Net pension liability 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.

Net pension liability 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.

OPEB changes of benefit terms

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

OPEB 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.

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Local sources	$ 36,842,620	$ 36,936,460	$ 37,939,403	$ 1,002,943
State sources	108,467,870	107,058,110	106,427,285	(630,825)
Federal sources	8,999,460	18,239,880	16,587,363	(1,652,517)
Other sources	250,000	250,000	322,060	72,060
Total revenues	154,559,950	162,484,450	161,276,111	(1,208,339)
Expenditures				
Regular instruction	98,625,210	97,461,770	79,877,059	17,584,711
Federal programs	4,814,550	13,786,000	11,971,107	1,814,893
Special education instruction	22,498,220	24,009,110	30,896,371	(6,887,261)
Career and technical education	2,615,860	2,386,520	3,108,223	(721,703)
School administration	5,121,660	5,121,660	7,477,692	(2,356,032)
General administration	3,640,000	3,660,000	4,049,870	(389,870)
Operations and maintenance	8,708,000	8,741,750	10,031,063	(1,289,313)
Student transportation	3,868,100	3,868,100	3,906,081	(37,981)
Other programs and services	1,861,050	1,942,790	1,754,498	188,292
Total expenditures	151,752,650	160,977,700	153,071,964	7,905,736
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,807,300	1,506,750	8,204,147	6,697,397
Other Financing Sources (Uses)				
Transfer out	(3,294,540)	(3,294,540)	(2,960,464)	334,076
Transfer in	1,615,620	3,217,070	346,156	(2,870,914)
Sale of property and equipment	52,900	10,000	50,608	40,608
Total other financing uses	(1,626,020)	(67,470)	(2,563,700)	(2,496,230)
Net Change in Fund Balance	$ 1,181,280	$ 1,439,280	5,640,447	$ 4,201,167
Fund Balance, Beginning of Year. as adjusted (Note 13)			14,876,445	
Fund Balance, End of Year			$ 20,516,892	

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Local sources	$ 1,234,710	$ 1,243,720	$ 1,254,814	$ 11,094
Other sources	75,000	75,000	28,049	(46,951)
Total revenues	1,309,710	1,318,720	1,282,863	(35,857)
Other Financing Uses				
Transfer out	(1,539,590)	(3,136,170)	(265,256)	2,870,914
Net Change in Fund Balance	$ (229,880)	$ (1,817,450)	1,017,607	$ 2,835,057
Fund Balance, Beginning of Year			5,811,864	
Fund Balance, End of Year			$ 6,829,471	

The District adopts an annual budget for all fund. The budget is prepared on the modified accrual basis of accounting. Before July 1, the proposed budget is presented to the School Board for review. Annual budgets are adopted based on object (such as salaries, benefits, purchased services, and supplies) while the GAAP Statement of Revenues, Expenditures, and Changes in Fund Balances are is based on function (such as Regular Instruction, Federal Programs, and Special Education). This difference in reporting causes function variances between budgetary basis and GAAP basis due to benefits expenditures, which are budgeted for in total rather than by function. The total revenues and total expenditures in the budgetary basis are equal to the totals in the GAAP basis of reporting. All annual appropriations lapse at fiscal year end. The actual revenues, expenditures, and transfers for the year ended June 30, 2021, have been compared to the District's budget for the year where applicable. Variances in parentheses are unfavorable and indicate revenues are less than budget or expenditures are greater than budget. The budget is adopted through passage of a resolution. Any revisions that alter total expenditures of any fund must be approved by the School Board.

Budgetary control is maintained by fund, by expenditure category level within each program. Also inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically mean that it will be spent. The budget process has flexibility in that, where need has been properly demonstrated, an adjustment can be made within the department budget by the School Board. Therefore, there is a constant review process and expenditures are not approved until it has been determined that (1) adequate funds were appropriated, (2) the expenditure is still necessary, and (3) funds are available. Budgeted amounts are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year end. The school board made several supplemental budgetary appropriations throughout the year.

Combining Fund Schedules

June 30, 2021

West Fargo Public Schools

	Food Service	Co-Curricular	Totals
Assets			
Cash and investments	$ 3,549,266	$ 40,759	$ 3,590,025
Receivables			
Accounts	665	-	665
Due from other governmental units	245,378	-	245,378
Inventories	166,479	-	166,479
Total assets	$ 3,961,788	$ 40,759	$ 4,002,547
Liabilities			
Accounts payable	$ 53,098	$ 39,932	$ 93,030
Salaries and benefits payable	14,116	827	14,943
Unearned revenue	421,308	-	421,308
Total liabilities	488,522	40,759	529,281
Fund Balance			
Nonspendable	166,479	-	166,479
Assigned	3,306,787	-	3,306,787
Total fund balance	3,473,266	-	3,473,266
Total liabilities and fund balance	$ 3,961,788	$ 40,759	$ 4,002,547

	Food Service	Co-Curricular	Totals
Revenues			
Local sources	$ 565,491	$ 369,799	$ 935,290
State sources	54,038	-	54,038
Federal sources	6,913,037	-	6,913,037
Other sources	16,772	-	16,772
Total revenues	7,549,338	369,799	7,919,137
Expenditures			
School food services	6,016,460	-	6,016,460
Co-curricular activities	-	3,330,263	3,330,263
Total expenditures	6,016,460	3,330,263	9,346,723
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,532,878	(2,960,464)	(1,427,586)
Other Financing Sources (Uses)			
Transfer out	(80,900)	-	(80,900)
Transfer in	-	2,960,464	2,960,464
Total other financing sources (uses)	(80,900)	2,960,464	2,879,564
Net Change in Fund Balance	1,451,978	-	1,451,978
Fund Balance, Beginning of Year	2,021,288	-	2,021,288
Fund Balance, End of Year	$ 3,473,266	$ -	$ 3,473,266

Other Supplementary Information
June 30, 2021

West Fargo Public Schools

Federal Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures			
Department of Agriculture						
Passed through State Department of Public Instruction						
Non-Cash Assistance (Commodities):						
Food Distribution	10.555	Unknown	$ 383,611			
Cash Assistance:						
Special Milk Program for Children	10.556	Unknown	1,351			
Summer Food Service Program for Children	10.559	Unknown	6,139,270			
Total Child Nutrition Cluster				$ 6,524,232		
Child and Adult Care Food Program	10.558	Unknown		92,302		
SAE Food Nutrition	10.560	Unknown		13,591		
Fresh Fruit and Vegetable Program	10.582	Unknown		375,214		
Total Department of Agriculture						7,005,339
Department of Education						
Passed through State Department of Public Instruction						
Title I Grants to Local Educational Agencies	84.010	Unknown		2,035,364		
Special Education - Basic Grants to States	84.027	Unknown	2,462,979			
Special Education - Preschool Grants	84.173	Unknown	47,461			
Total Special Education Cluster				2,510,440		
Twenty-First Century Community Learning Centers	84.287C	Unknown		463,769		
English Language Acquisition State Grants	84.365A	Unknown		127,896		
Supporting Effective Instruction State Grant	84.367A	Unknown		542,155		
Student Support and Academic Enrichment Program	84.424A	Unknown		297,941		
Education for Homeless Children and Youth	84.196A	Unknown		30,000		
Striving Readers Grant	84.371C	Unknown		1,604,762		
COVID 19 - Education Stabilization Fund - ESSER	84.425DC	Unknown	1,496,827			
Passed through State Office of Management and Budget						
COVID 19 - Education Stabilization Fund - GEER	84.425C	Unknown	161,440			
Total 84.425				1,658,267		
Total passed through State Department of Public Instruction					9,270,594	
Passed through State Board of Vocational Education						
Career and Technical Education - Basic Grants to States	84.048A	Unknown			163,440	
Total Department of Education						9,434,034
Department of Treasury						
Passed through State Department of Public Instruction						
COVID 19 - Coronavirus Relief Funds	21.019C	Unknown				5,443,307
Department of Health and Human Resources						
Passed through Lutheran Social Services of North Dakota						
Refugee and Entrant Assistance State/Replacement Designee	93.566	Unknown				28,341
Total federal financial assistance						$21,911,021

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2021. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position or fund balance of the District.

Note 2 - Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The District has not elected to use the 10% de minimis cost rate.

Note 4 - Food Distribution

Non-monetary assistance is reported in the schedule of expenditures of federal awards at the fair market value of commodities received and disbursed. At June 30, 2021, the district had food commodities totaling $127,072 in inventory.

Additional Reports
June 30, 2021

West Fargo Public Schools

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*

The School Board of
West Fargo Public Schools
West Fargo, North Dakota

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Fargo Public Schools (The District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 8, 2021.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 the District'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a significant deficiency.

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

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

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

Eide Bailly LLP

Fargo, North Dakota
December 8, 2021

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance

The School Board of
West Fargo Public Schools
West Fargo, North Dakota

Report on Compliance for Each Major Federal Program

We have audited the District'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 District's major federal programs for the year ended June 30, 2021. The District'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 the 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 the compliance of each of the District'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* 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 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 District'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 the major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the 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 District is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District'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 District'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement 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 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 have not been 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.

Eide Bailly LLP

Fargo, North Dakota
December 8, 2021

Section I – Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

Name of Federal Program	Federal Financial Assistance Listing/CFDA Number
COVID 19 - Education Stabilization Fund	84.425
COVID 19 - Coronavirus Relief Funds	21.019C
Title II	84.367

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

2021-001 Preparation of Financial Statements
Significant Deficiency

Condition – The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. The auditors were requested to, and did, draft the financial statements and accompanying notes to the financial statements.

Criteria – A good system of internal accounting control contemplates an adequate system for internally preparing the District's financial statements.

Effect – This deficiency could result in the disclosures in the financial statements to be incomplete.

Cause – The District does not have an internal control system designed to prepare the financial statements being audited.

Recommendation – It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. A thorough review and reconciliation of accounts in each fund should take place prior to the beginning of the audit. This review should be performed at both the accounting staff and accounting supervisor levels.

Views of Responsible Officials – There is no disagreement with the audit finding.

Section III – Federal Award Findings and Questioned Costs

None