

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17  
WESTHOPE, NORTH DAKOTA**

AUDITED BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

## TABLE OF CONTENTS

	<b>Page</b>
<b>ROSTER OF SCHOOL OFFICIALS</b>	<b>1</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>2</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>5</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Position	12
Statement of Activities	13
Balance Sheet - Governmental Funds	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Notes to the Basic Financial Statements	18
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule for the General Fund	47
Schedule of District's Contributions to the TFFR and NDPERS Pension Plans	48
Schedule of District's Contributions to the NDPERS OPEB Plan	49
Schedule of District's Proportionate Share of Net Pension Liability	50
Schedule of District's Proportionate Share of Net OPEB Liability	51
Notes to the Required Supplementary Information	52
<b>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</b>	<b>55</b>
Schedule of Findings and Responses	57

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
**ROSTER OF SCHOOL OFFICIALS - UNAUDITED**  
**JUNE 30, 2021**

Chuck Kveum	President
Liz Tofteland	Vice-President
Katie Ogaard	Board Member
Ben Cartwright	Board Member
Ken Radtke	Board Member
Lane Berenston	Board Member
Lyndsi Engstrom	Board Member
Martin Bratrud	Superintendent
Barry Trottier	Business Manager

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Westhope Public School District No. 17  
Westhope, North Dakota

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities and each major fund of Westhope Public School District No. 17, 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.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Westhope Public School District No. 17 as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

#### **Prior Period Adjustment**

As described in Note 13 to the financial statements, prior period adjustments were made to net position and fund balance to correct ending balances in the prior year. As discussed in Note 13 to the financial statements, the District has restated the previously reported net position and fund balance. Our opinions are not modified with respect to these matters.

#### **Change in Accounting Principal**

As described in Note 13 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. As discussed in Note 13 to the financial statements, the District has restated the previously reported Net Position and Fund Balances in accordance with this statement. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule, schedule of District's contributions to the TFFR and NDPERS pension plans, schedule of District's contributions to the NDPERS OPEB plan, schedule of District's proportionate share of net pension liability, and schedule of District's proportionate share of net OPEB liability 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. The roster of school officials is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The roster of school officials on page 1 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 10, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.



**BRADY, MARTZ & ASSOCIATES, P.C.  
GRAND FORKS, NORTH DAKOTA**

December 10, 2021

**WESTHOPE SCHOOL DISTRICT NO. 17**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

The discussion and analysis of Westhope Public School District's financial performance provides an overall review of the District's financial activities for the year ended June 30, 2021. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

### **Financial Highlights**

Key financial highlights for the 2020-2021 fiscal years are as follows:

- Net position of the District increased \$299,343 from current year operations.
- Governmental net position totaled \$810,835.
- Total revenues from all sources at the fund level were \$3,638,173.
- Total expenses at the fund level were \$3,413,239.
- The District's general fund had \$3,036,346 total revenues and \$2,847,523 in expenditures. Overall, the general fund balance increased by \$188,823 for the year ended June 30, 2021, compared to an increase of \$130,650 in the previous year.

### **Using this Annual Report**

This annual report consists of a series of financial statements and related footnotes. These statements are organized so the reader can understand Westhope Public School District No. 17 as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

### **Reporting the School District as a Whole**

#### **Statement of Net Position and the Statement of Activities**

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District do financially during the year ended June 30, 2021?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets, deferred outflows/inflows of resources, and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws in North Dakota, facility condition, required

**WESTHOPE SCHOOL DISTRICT NO. 17**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2021**

educational programs and other factors. In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

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

**Fund Financial Statements**

Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, Food Service Fund, Capital Projects Fund and Debt Service Fund.

**Governmental Funds**

The District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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

Recall that the Statement of Net Position provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net position as of June 30, 2021 and 2020.

As indicated in the financial highlights, the District's net position increased by \$330,564. Long term liabilities increased by \$543,458 for the year ended June 30, 2021 primarily due to increases in net pension liability. Net position may serve over time as a useful indicator of the District's financial position.

The District's net position of \$810,835 is segregated into three separate categories. Net investment in capital assets (net of related debt) is not available for future spending. Restricted net position represents resources that are subject to external restrictions on how they must be spent. The unrestricted net position is available to meet the District's ongoing concerns.



**WESTHOPE SCHOOL DISTRICT NO. 17**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Table 1**  
**Statement of Net Position**

	2021	2020
<b>Assets</b>		
Current Assets	\$ 1,351,994	\$ 1,042,818
Capital Assets (Net of Accumulated Depreciation)	5,400,753	5,325,145
<b>Total Assets</b>	<b>6,752,747</b>	<b>6,367,963</b>
 Deferred Outflows of Resources	 999,779	 434,273
 <b>Liabilities</b>		
Current Liabilities	461,505	381,537
Non-Current Liabilities	6,075,017	5,565,173
<b>Total Liabilities</b>	<b>6,536,522</b>	<b>5,946,710</b>
 Deferred Inflows of Resources	 405,169	 375,255
 <b>Net Position</b>		
Net Investment in Capital Assets	2,364,533	2,071,823
Restricted	349,589	284,609
Unrestricted	(1,903,287)	(1,876,161)
<b>Total Net Position</b>	<b>\$ 810,835</b>	<b>\$ 480,271</b>

**WESTHOPE SCHOOL DISTRICT NO. 17**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2021**

Table 2 shows the changes in net position for the fiscal years ended June 30, 2021 and 2020.

**Table 2**  
**Changes in Net Assets**

	2021	2020
Revenues		
Program Revenues		
Charges for Services	\$ 22,307	\$ 38,081
Operating Grants and Contributions	994,089	554,209
General Revenues		
Property Taxes	988,974	989,148
State Aid - Formula Grants	1,631,169	1,530,813
Investment Earnings	6,536	7,093
Total Revenues	3,643,075	3,119,344
Expenses		
Business Support Services	224,088	235,615
Instructional Support Services	26,304	39,991
Administration	70,439	67,893
Operations and Maintenance	250,761	229,606
Transportation	186,874	139,718
Regular Instruction	1,982,133	1,638,448
Special Education	38,903	121,628
Vocational Education	40,283	64,121
Extra-Curricular Activities	284,795	101,972
Food Services	190,421	148,858
Interest and Fees on Long-Term Debt	48,731	70,672
Total Expenses	3,343,732	2,858,522
Change in Net Position	299,343	260,822
Net Position - Beginning	480,271	224,773
GASB 84 Adjustment	62,870	-
Prior Period Adjustment	(31,649)	(5,324)
Net Position - Beginning as Restated	511,492	219,449
Net Position - Ending	\$ 810,835	\$ 480,271

Property taxes constituted 27%, state aid 45%, operating grants and contributions 27%, and charges for services made up 1% of the total revenues of governmental activities of the District for fiscal year 2021.

Regular instruction comprised 59% of District expenses, and includes the changes in the net pension liability and OPEB liability.

**WESTHOPE SCHOOL DISTRICT NO. 17**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2021**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues.

**Table 3**

	Total Cost for Year Ended 6/30/2021	Net Cost for Year Ended 6/30/2021	Total Cost for Year Ended 6/30/2020	Net Cost for Year Ended 6/30/2020
Business Support Services	\$ 224,088	\$ (224,088)	\$ 235,615	\$ (235,615)
Instructional Support Services	26,304	(26,304)	39,991	(39,991)
Administration	70,439	(70,439)	67,893	(67,893)
Operations and Maintenance	250,761	(250,761)	229,606	(229,606)
Transportation	186,874	(104,268)	139,718	(41,060)
Regular Instruction	1,982,133	(1,247,459)	1,638,448	(1,279,688)
Special Education	38,903	(38,903)	121,628	(121,628)
Vocational Education	40,283	(38,792)	64,121	(61,997)
Extra-Curricular Activities	284,795	(284,795)	101,972	(101,972)
Food Services	190,421	7,204	148,858	(16,110)
Interest and Fees on Long-Term Debt	48,731	(48,731)	70,672	(70,672)
Total Expenses	<u>\$ 3,343,732</u>	<u>\$ (2,327,336)</u>	<u>\$ 2,858,522</u>	<u>\$ (2,266,232)</u>

Business support services and administration include expenses associated with administrative and financial supervision of the District.

Instructional support services include the activities involved with assisting staff with the content and process of teaching to pupils.

Operation and maintenance of plant activities involve maintaining the school grounds, buildings, and equipment in an effective working condition.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Special education includes costs that support the education of students with other needs.

Vocational education includes expenditures that support the teaching of vocational type instruction.

Extracurricular activities include expenses related to student activities provided by the District, which are designed to provide opportunities for pupils to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Food Services include expenses directly dealing with providing breakfast and lunch service to students and staff of the District.

**WESTHOPE SCHOOL DISTRICT NO. 17**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2021**

Interest on long-term debt involves the transactions associated with the payment of interest and other related charges to debt of the District.

**Financial Analysis of the District's Governmental Funds**

The focus of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unassigned fund balance generally may be used as a measure of the District's net resources available for spending at the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting. The District's governmental funds had total revenues of \$3,638,173 and \$3,115,220 and expenditures of \$3,413,239 and \$3,070,552 for the years ended June 30, 2021 and 2020, respectively. As of June 30, 2021 and 2020, the unassigned fund balance of the District's general fund was \$644,274 and \$460,900 and total fund balance for all the District's governmental funds were \$1,007,069 and \$750,914 respectively.

**General Fund Budgeting Highlights**

Over the course of the year, the District did not revise the annual operating budget.

Actual revenues were \$higher over than expected and actual expenditures were \$less budget in the general fund primarily due to higher federal and other revenues than expected and lower regular instruction, transportation, and food service expenditures than expected.

**Capital Assets**

As of June 30, 2021 and 2020, the District had \$5,400,753 and \$5,325,145, respectively, invested in net capital assets. Table 4 shows capital asset balances as of June 30, 2021 and 2020. See Note 4 for details.

**Table 4**

	2021	2020
Land and Land Improvements	\$ 28,000	\$ 28,000
Buildings	5,088,381	5,079,995
Equipment	164,189	130,056
Vehicles	120,183	87,094
Total	\$ 5,400,753	\$ 5,325,145

**WESTHOPE SCHOOL DISTRICT NO. 17**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Outstanding Debt**

As of June 30, 2021 and 2020, the District had \$6,260,490 in outstanding debt. The District increased its overall debt by \$543,458 from June 30, 2020. See below and Note 5 for a description of the District's debt.

	Balance 7/1/2020	Additions	Retirements	Balance 6/30/2021	Due in One Year
General Obligation School Building Bonds, Series 2014	\$ 980,000	\$ -	\$ 65,000	\$ 915,000	\$ -
General Obligation School Building Bonds, Series 2014B	2,269,918	-	151,859	2,118,059	153,378
Premium on Bonds Payable	3,404	-	243	3,161	-
Compensated Absences	-	32,865	770	32,095	32,095
Net OPEB Liability	17,133	10,426	5,480	22,079	-
Net Pension Liability	2,446,577	1,324,274	600,755	3,170,096	-
Total	<u>\$ 5,717,032</u>	<u>\$ 1,367,565</u>	<u>\$ 824,107</u>	<u>\$ 6,260,490</u>	<u>\$ 185,473</u>

**For the Future**

The District's revenue is highly dependent on student enrollment and mildly dependent upon oil and gas and food service revenue. Federal dollars usage will change significantly at the end of the 2023 – 2024 school year with the end of the ESSER stimulus grant programs. The use of this money was primary in helping our school catch up in deferred purchases in the areas of transportation, student and staff technology, textbooks, and curriculum. Replacement of these dollars will require the development of a long term strategic financial plan to prevent going backwards and creating a deferred purchasing backlog in the future. We are currently strategically planning how to utilize supplanted federal dollars to allow the use of our general fund balance along with our debt service fund balance to pay off our U.S. Bank construction loan by the end of the 2022 – 2023 school year 10 years ahead of its maturity date and freeing up the ability to levy more general fund mills while providing tax relief by decreasing our debt service fund mills.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. You may request a copy of this report by contacting Barry Trottier, Business Manager, Westhope Public School District, 395 Main St, Westhope, ND 58793, or email at [barry.trottier@k12.nd.us](mailto:barry.trottier@k12.nd.us)

**WESTHOPE SCHOOL DISTRICT NO. 17**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

<b>ASSETS</b>	
Current Assets:	
Cash	\$ 1,115,063
Property Taxes Receivable (Net)	76,924
Due From Other Governments	160,007
Total Current Assets	1,351,994
Non-Current Assets:	
Capital Assets	
Land	28,000
Buildings	5,952,946
Equipment	431,959
Vehicles	470,500
Less Accumulated Depreciation	(1,482,652)
Total Non-Current Assets	5,400,753
<b>TOTAL ASSETS</b>	<b>6,752,747</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Cost Sharing Defined Benefit Pension Plan - TFFR	434,097
Cost Sharing Defined Benefit Pension Plan - NDPERS	555,043
Cost Sharing Defined Benefit OPEB Plan - NDPERS	10,639
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>999,779</b>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	163,361
Accrued Payroll	112,671
Compensated Absences	32,095
Bonds Payable Within a Year	153,378
Total Current Liabilities	461,505
Long-Term Liabilities:	
Bonds Payable (Net of Current Portion)	2,882,842
Net OPEB Liability	22,079
Net Pension Liability	3,170,096
Total Non-Current Liabilities	6,075,017
<b>TOTAL LIABILITIES</b>	<b>6,536,522</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Cost Sharing Defined Benefit Pension Plan - TFFR	250,335
Cost Sharing Defined Benefit Pension Plan - NDPERS	152,200
Cost Sharing Defined Benefit OPEB Plan - NDPERS	2,634
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>405,169</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	2,364,533
Restricted for:	
Debt Service	213,179
Student Activity	36,670
Building	99,740
Unrestricted	(1,903,287)
<b>TOTAL NET POSITION</b>	<b>\$ 810,835</b>

See Notes to the Financial Statements

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES</b>				
Business Support Services	\$ 224,088	\$ -	\$ -	\$ (224,088)
Instructional Support Services	26,304	-	-	(26,304)
Administration	70,439	-	-	(70,439)
Operations and Maintenance	250,761	-	-	(250,761)
Transportation	186,874	-	82,606	(104,268)
Regular Instruction	1,982,133	-	734,674	(1,247,459)
Special Education	38,903	-	-	(38,903)
Vocational Education	40,283	-	1,491	(38,792)
Extra-Curricular Activities	284,795	-	-	(284,795)
Food Services	190,421	22,307	175,318	7,204
Interest and Fees on Long-Term Debt	48,731	-	-	(48,731)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 3,343,732</b>	<b>\$ 22,307</b>	<b>\$ 994,089</b>	<b>(2,327,336)</b>
<b>GENERAL REVENUES</b>				
Property Taxes, Levied for General Purposes				582,469
Property Taxes, Levied for Capital Projects				90,187
Property Taxes, Levied for Debt Service				316,318
Aids and Payments from the State				1,631,169
Unrestricted Investment Earnings				6,536
<b>TOTAL GENERAL REVENUES</b>				<b>2,626,679</b>
Change in Net Position				299,343
Net Position - Beginning as Originally Reported				480,271
GASB 84 Adjustment - See Note 13				62,870
Prior Period Adjustment - See Note 13				(31,649)
Net Position - Beginning as Restated				511,492
Net Position - Ending				<b>\$ 810,835</b>

See Notes to the Financial Statements

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**JUNE 30, 2021**

	General Fund	Capital Projects	Debt Service	Food Service	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 720,496	\$ 175,148	\$ 187,922	\$ 31,497	\$ 1,115,063
Property Taxes Receivable (Net)	44,505	7,162	25,257	-	76,924
Due from Other Governments	143,594	-	-	16,413	160,007
<b>TOTAL ASSETS</b>	<b>\$ 908,595</b>	<b>\$ 182,310</b>	<b>\$ 213,179</b>	<b>\$ 47,910</b>	<b>\$ 1,351,994</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 75,282	\$ 82,570	\$ -	\$ 5,509	\$ 163,361
Accrued Payroll	112,671	-	-	-	112,671
<b>TOTAL LIABILITIES</b>	<b>187,953</b>	<b>82,570</b>	<b>-</b>	<b>5,509</b>	<b>276,032</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue - Uncollected Taxes	39,698	6,450	22,745	-	68,893
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>39,698</b>	<b>6,450</b>	<b>22,745</b>	<b>-</b>	<b>68,893</b>
<b>FUND BALANCES</b>					
Restricted	36,670	93,290	190,434	-	320,394
Assigned	-	-	-	42,401	42,401
Unassigned	644,274	-	-	-	644,274
<b>TOTAL FUND BALANCES</b>	<b>680,944</b>	<b>93,290</b>	<b>190,434</b>	<b>42,401</b>	<b>1,007,069</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 908,595</b>	<b>\$ 182,310</b>	<b>\$ 213,179</b>	<b>\$ 47,910</b>	<b>\$ 1,351,994</b>



**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO**  
**THE STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

Total fund balances - governmental funds		\$ 1,007,069
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as net assets in government funds:		
Cost of capital assets	\$ 6,883,405	
Less: accumulated depreciation	<u>(1,482,652)</u>	
Net		5,400,753
Net deferred outflows/(inflows) of resources relating to the cost sharing defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows/(inflows) of resources in the governmental funds.		
		594,610
Bond premiums that are amortized over the life of the debt issue		
		(3,161)
Property taxes receivable will be collected during the year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		
		68,893
Long-term liabilities are not due and payable in the current period and therefore are not recorded as liabilities in the governmental funds.		
Bonds Payable		(3,033,059)
Compensated Absences		(32,095)
Net OPEB Liability		(22,079)
Net Pension Liability		<u>(3,170,096)</u>
Net Position - Governmental Activities		<u>\$ 810,835</u>

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	General Fund	Capital Projects	Debt Service	Food Service	Total Governmental Funds
<b>REVENUES</b>					
Local Property Tax Levies	\$ 579,870	\$ 89,333	\$ 314,869	\$ -	\$ 984,072
Other Local and County Revenues	113,441	-	-	2,730	116,171
Revenue from State Sources	1,713,775	-	-	189	1,713,964
Revenue from Federal Sources	345,192	-	-	175,129	520,321
Interest	6,536	-	-	-	6,536
Other Revenue	277,532	-	-	19,577	297,109
<b>TOTAL REVENUES</b>	<b>3,036,346</b>	<b>89,333</b>	<b>314,869</b>	<b>197,625</b>	<b>3,638,173</b>
<b>EXPENDITURES</b>					
Current:					
Business Support Services	224,088	-	-	-	224,088
Instructional Support Services	26,304	-	-	-	26,304
Administration	70,439	-	-	-	70,439
Operations and Maintenance	220,969	29,792	-	-	250,761
Transportation	168,963	-	-	-	168,963
Regular Instruction	1,659,114	-	-	-	1,659,114
Special Education	38,903	-	-	-	38,903
Vocational Education	40,283	-	-	-	40,283
Extra-Curricular Activities	284,795	-	-	-	284,795
Food Services	4,665	-	-	185,756	190,421
Capital Outlay	109,000	82,570	-	-	191,570
Debt Service:					
Principal Retirement	-	-	216,859	-	216,859
Interest and Fiscal Charges on Long-Term Debt	-	-	50,739	-	50,739
<b>TOTAL EXPENDITURES</b>	<b>2,847,523</b>	<b>112,362</b>	<b>267,598</b>	<b>185,756</b>	<b>3,413,239</b>
Excess (Deficiency) of Revenues over Expenditures	188,823	(23,029)	47,271	11,869	224,934
Net Change in Fund Balances	188,823	(23,029)	47,271	11,869	224,934
Fund Balance - Beginning of Year, as Originally Reported	460,900	116,319	143,163	30,532	750,914
GASB 84 Adjustment - See Note 13	62,870	-	-	-	62,870
Prior Period Adjustments - See Note 13	(31,649)	-	-	-	(31,649)
Fund Balance - Beginning of Year, as Restated	492,121	116,319	143,163	30,532	782,135
Fund Balance - End of Year	\$ 680,944	\$ 93,290	\$ 190,434	\$ 42,401	\$ 1,007,069

See Notes to the Basic Financial Statements

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

Total net change in fund balances - Governmental Funds \$ 224,934

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the useful lives as depreciation expense.

Capital Outlays	\$	191,570	
Depreciation Expense		<u>(115,962)</u>	
Excess of capital outlay over depreciation expense			75,608

Some revenues will not be collected for several months after the District's fiscal year end. These revenues are considered "available" revenues in the government funds. These revenues consist of:

Net change in unavailable property taxes 4,902

Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position. 216,859

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These items consisted of the (increase)/decrease in:

Compensated Absences (32,095)

Changes in deferred outflows and inflows of resources related to net pension liability 535,592

Change in net OPEB liability (4,946)

Change in net pension liability (723,519)

Amortization of premiums received from bond issuance 243

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 1,765

Change in net position - Governmental Activities \$ 299,343

See Notes to the Basic Financial Statements

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

The Westhope Public School District operates the public schools in the City of Westhope, North Dakota. There is one junior/senior high school.

Reporting Entity - Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of an organization's governing body and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources. Component units may also include organizations that are fiscally dependent on the District. Fiscal dependence can include the District's approval of the budget, issuance of debt, and/or levying of taxes for the organization.

Based on these criteria, there are no component units to be included within the District's reporting entity.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The District's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

***Basis of Presentation***

The District's basic financial statements consist of government-wide statements and fund financial statements.

**Government-Wide Financial Statements:**

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements display information about the District as a whole.

The statement of net position presents the financial condition of the governmental activities of the District at year-end.

The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. The statement identifies the extent to which each governmental function is self-financing or drawing from the general revenues of the District. Direct expenses are expenses that are specifically associated with a service, program or department. The direct expenses are clearly identifiable to a particular function. Program revenues include charges to recipients for goods or services offered by the program and grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District.

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2021

The Government-wide financial statements do not include fiduciary funds of component units that are fiduciary in nature.

**Fund Financial Statements:**

In order to aid financial management and to demonstrate legal compliance, the District segregates transactions related to certain functions or activities in separate funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The focus of the governmental fund financial statements is on major funds. Each major fund is presented as a separate column in the fund financial statements. The fiduciary fund is reported by type.

***Fund Accounting***

The District's funds consist of the following:

**Governmental Funds:**

Governmental funds are utilized to account for most of the District's governmental functions. The reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which the obligation will be paid. Fund balance represents the difference between the governmental fund assets and liabilities. The District's major governmental funds are as follows:

**General Fund:**

This fund is the general operating fund of the District. It accounts for all financial resources except those requiring to be accounted for in another fund.

**Capital Projects:**

The Capital Projects fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for acquiring school sites, constructing and equipping new school facilities and renovating existing facilities.

**Debt Service Funds:**

The Debt Service fund is used to account for the accumulation of resources for, and the payments of, general long-term debt principal, interest, and related costs.

**Food Service:**

This fund accounts for the financial resources associated with the District's hot lunch program.

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2021

***Measurement Focus and Basis of Accounting***

**Measurement Focus:**

*Government-wide Financial Statements:*

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred inflows and outflows of resources, and liabilities associated with the operation of the District are included in the statement of net position.

*Fund Financial Statements:*

The governmental funds are accounted for by using a flow of current financial resources measurement focus. Under this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources and uses of current financial resources.

The current financial resources measurement focus differs from the manner which the governmental activities of the government-wide financial statements are prepared. Due to the difference, the District's financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds.

**Basis of Accounting:**

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

Government-wide financial statements are prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The District's governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of its fiscal year. Expenditures are generally recorded as the related fund liability is incurred.

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

**Revenues - Exchange and Non-Exchange Transactions:**

Exchange transactions are transactions in which each party gives and receives essentially equal value. Under the accrual basis of accounting, revenue for exchange transactions is recorded when the exchange takes place. Under the modified accrual basis of accounting, revenue for exchange transactions is recorded when the resources are measurable and available.

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2021

Non-exchange transactions include transactions in which the District receives value without directly providing value in return. Non-exchange transactions include property taxes, grants, entitlements, and donations.

Under the accrual basis of accounting, property taxes are recorded as revenue in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recorded in the fiscal year in which all eligibility requirements have been satisfied. Under the modified accrual basis of accounting, revenue from non-exchange transactions must also be available before it is recorded in the financial records of the District.

Major revenue sources susceptible to accrual include: property taxes, intergovernmental revenues and investment income.

**Unearned Revenues:**

Unearned revenue arises when assets are recognized in the financial statements before the revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenues.

On the governmental fund financial statements, receivables that will not be collected during the availability period have been reported as unearned revenue.

**Expenses and Expenditures:**

Governmental funds accounting measurement focus is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recorded in the fiscal year in which the related fund liability is incurred. Under the accrual basis of accounting, expenses are recorded when incurred.

**Budgets and Budgetary Accounting:**

The District's Board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School District, annually on or before the last day of July must levy taxes. The governing body of the School District may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year. Taxes for School District purposes must be based upon an itemized budget statement which must show the complete expenditure by program of the District for the current fiscal year and the sources of the revenue from which it is to be financed. The School Board, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the District and to provide a sinking fund to pay and discharge the principal thereon at maturity.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The administration prepares the District's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2021**

2. The Board reviews the budget, may make revisions, and adopts the final budget at the September board meeting to ensure it is adopted before the fifteenth of October each year. The budget is then filed with the county auditor by October tenth of each year.
3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 15 of each year. The budget amounts shown in the financial statements are the final authorized amounts.
4. All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

The General fund expenditures were \$194,697 under budget at June 30, 2021.

**Cash and Cash Equivalents:**

The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

**Capital Assets:**

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities' column of the government-wide statement of net position but are not reported as assets in the fund financial statements. All capital assets are recorded at cost (or estimated historical cost). The assets are updated for additions and retirements during the District's fiscal year. The District has established a capitalization threshold of \$5,000. Donated fixed assets are recorded at their acquisition values at the date received. The District does not have any infrastructure assets. Improvements that significantly extend the useful life of the asset are also capitalized.

The District's land and construction in progress costs are capitalized but are not depreciated. All the remaining capital assets are depreciated over their estimated useful lives on a straight-line basis. The District has established the following useful lives:

Buildings	50 to 80 Years
Equipment	10 Years
Vehicles	10 to 19 Years

**Accrued Liabilities and Long-term Obligations:**

All payables, accrued liabilities and long-term obligations are reported in the District's government-wide financial statements. The District's governmental fund financials report only those obligations that will be paid from current financial resources.



**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2021

**Pensions:**

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

**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.

**Fund Balance Classifications:**

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

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

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

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

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

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2021

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

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

The District has no minimum fund balance policy.

**Deferred Outflows/Inflows of Resources:**

In addition to assets, the statement of net 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 a future period(s) and so will *not* be recognized as an outflow of resource (expense/expenditure) until then. The District has two items reported on the statement of net position as *cost sharing defined benefit pension plan* and *cost sharing defined benefit OPEB plan*, which represents actuarial differences within the NDPERS and TFFR pension plans and NDPERS OPEB plan, as well as amounts paid to the plans after the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three types of items, one which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue – delinquent taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also has two items reported on the statement of net position as *cost sharing defined benefit pension plan* and *cost sharing defined benefit OPEB plan*, which represents the actuarial differences within the NDPERS and TFFR pension plans and NDPERS OPEB plan.

**Net Position:**

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

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2021

**Inter-fund Activity:**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Inter-fund activities within the District's governmental activities and its business-type activities, are eliminated in the statement of activities.

**Estimates:**

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Revenue Recognition - Property Taxes:**

Taxes receivable consist of current and delinquent uncollected taxes at June 30, 2021.

Property taxes attach as an enforceable lien on property January 1. A five percent reduction is allowed if paid by February 15. Penalty and interest are added March 15 if the first half-of-the taxes have not been paid. Additional penalties are added October 15, if not paid. Taxes are collected by the county and usually remitted monthly to the School District.

Property tax revenue in the governmental funds is recognized in compliance with National Council of Government Accounting (NCGA) Interpretation 3, *Revenue Recognition - Property Taxes*. This interpretation states that property tax revenue is recorded when it becomes available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Property tax revenue is recorded as revenue in the year the tax is levied in the government-wide financial statements. Property taxes are limited by state laws. All School District tax levies are in compliance with state laws. The allowance for uncollectible taxes is \$0.

**Significant Group Concentrations of Credit Risk:**

As of June 30, 2021, the District's receivables consist of amounts due from other governmental units within the State of North Dakota.

**NOTE 3 CASH AND INVESTMENTS**

**Custodial Credit Risk – Deposits**

In accordance with North Dakota laws, the District maintains deposits at a depository authorized by the School Board. The depository is a member of the Federal Reserve System.

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2021**

North Dakota laws require that all public deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal at least 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral includes the legal investments described below, as well as certain first mortgage notes, and certain other state or local government obligations. North Dakota laws require that securities pledged as collateral be held in safekeeping by the District treasurer or in a financial institution other than that furnishing the collateral.

At June 30, 2021, the carrying amount of the District's deposits was \$1,115,063 and the bank balance was \$1,093,194. The entire bank balance was covered by Federal Depository Insurance or by collateral held by the District's Agent in the District's name in amounts sufficient to meet North Dakota legal requirements.

**Interest Rate Risk**

In accordance with its investment policy the District invests its operating funds primarily in short term certificates of deposit and limits the average maturity in accordance with the District's cash requirements and to manage exposure to fair value losses arising from interest rate changes.

**Concentration of Credit Risk**

The District places no limit on the amount the District may invest in any one issuer.

**NOTE 4 CAPITAL ASSETS**

The following is a summary of changes in general fixed assets account group during the year:

	Balance 7/1/2020	Additions	Disposals	Balance 6/30/2021
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated				
Land	\$ 28,000	\$ -	\$ -	\$ 28,000
Total	<u>28,000</u>	<u>-</u>	<u>-</u>	<u>28,000</u>
Capital Assets Being Depreciated				
Buildings	5,870,376	82,570	-	5,952,946
Equipment	373,959	58,000	-	431,959
Vehicles	451,774	51,000	32,274	470,500
Total	<u>6,696,109</u>	<u>191,570</u>	<u>32,274</u>	<u>6,855,405</u>
Less Accumulated Depreciation				
Buildings	790,381	74,184	-	864,565
Equipment	243,903	23,867	-	267,770
Vehicles	364,680	17,911	32,274	350,317
Total	<u>1,398,964</u>	<u>115,962</u>	<u>32,274</u>	<u>1,482,652</u>
Net Capital Assets Being Depreciated	<u>5,297,145</u>	<u>75,608</u>	<u>-</u>	<u>5,372,753</u>
Net Capital Assets for Governmental Activities	<u>\$ 5,325,145</u>	<u>\$ 75,608</u>	<u>\$ -</u>	<u>\$ 5,400,753</u>

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2021**

In the governmental activities section of the statement of activities, depreciation expense was charged to the following governmental functions:

Regular Instruction	\$ 98,051
Transportation	17,911
	<u>\$ 115,962</u>

Total

**NOTE 5 LONG-TERM DEBT**

The School District issued bonds to provide funding for the construction of additions and improvements to existing facilities. Long-term debt is as follows:

	Balance 7/1/2020	Additions	Retirements	Balance 6/30/2021	Due in One Year
General Obligation School Building Bonds, Series 2014	\$ 980,000	\$ -	\$ 65,000	\$ 915,000	\$ -
General Obligation School Building Bonds, Series 2014B	2,269,918	-	151,859	2,118,059	153,378
Premium on Bonds Payable	3,404	-	243	3,161	-
Compensated Absences	-	32,865	770	32,095	32,095
Net OPEB Liability	17,133	10,426	5,480	22,079	-
Net Pension Liability	2,446,577	1,324,274	600,755	3,170,096	-
Total	\$ 5,717,032	\$ 1,367,565	\$ 824,107	\$ 6,260,490	\$ 185,473

On December 1, 2014, the School District approved the issuance of \$3,150,000 General Obligation School Building Bonds, Series 2014B, for the purpose of constructing, remodeling, improving and equipping school buildings and to make site improvements to school property. The bonds are dated December 1, 2014, with annual payments of \$174,558 including interest at 1%. The final payment is due June 1, 2034. The bond proceeds are included in the Capital Projects Fund and will be paid for by the Debt Service Fund, and are payable from the levy of general obligation ad valorem tax against all the taxable property located within the District. The next proceeds included a bond premium of \$4,863. The premium was capitalized and is being amortized to interest expense on a straight-line basis. The amount amortized in the current year was \$243.

General Obligation School Building Bonds, Series 2014 were issued at \$1,350,000 due in annual installments ranging from \$94,480 to \$95,798, including interest, through August 1, 2033. Interest ranges from .5% to 3.5% and is paid semi-annually. The \$65,000 payment for Fiscal Year 2022 was paid during Fiscal Year 2021.

Compensated absences, net OPEB liability and the net pension liability are generally liquidated by the general fund.

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2021**

Annual debt service requirements to maturity for the long-term debt are as follows:

General Obligation School Building Bonds, Series 2014			
Fiscal year	Principal	Interest	Total
2022	\$ -	\$ 25,737	\$ 25,737
2023	70,000	24,488	94,488
2024	70,000	23,000	93,000
2025	70,000	21,320	91,320
2026	70,000	19,640	89,640
2027-2031	395,000	64,313	459,313
2032-2033	240,000	6,213	246,213
	\$ 915,000	\$ 184,710	\$ 1,099,710

Annual debt service requirements to maturity for the long-term debt are as follows:

General Obligation School Building Bonds, Series 2014B			
Fiscal year	Principal	Interest	Total
2022	\$ 153,378	\$ 21,180	\$ 174,558
2023	154,911	19,847	174,758
2024	156,461	18,097	174,558
2025	158,025	16,533	174,558
2026	159,605	14,953	174,558
2027-2031	822,291	47,499	869,790
2032-2034	513,388	10,301	523,689
	\$ 2,118,059	\$ 148,410	\$ 2,266,469

Interest expense was \$48,731 for the year ended June 30, 2021.

**NOTE 6 FUND BALANCES**

**A. CLASSIFICATIONS**

At June 30, 2021, a summary of the governmental fund balance classifications are as follows:

	General Fund	Capital Projects	Debt Service	Food Service	Total
Restricted for:					
Capital Projects	\$ -	\$ 93,290	\$ -	\$ -	\$ 93,290
Debt Service	-	-	190,434	-	190,434
Student Activities	36,670	-	-	-	36,670
Total Restricted	36,670	93,290	190,434	-	320,394
Assigned for:					
Food Service	-	-	-	42,401	42,401
Unassigned:	644,274	-	-	-	644,274
Total	\$ 680,944	\$ 93,290	\$ 190,434	\$ 42,401	\$ 1,007,069

Restricted fund balances reflect resources restricted for statutorily defined purposes not accounted for in a separate fund. At June 30, 2021, there were the following accounts:

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2021

Restricted for Debt Service:

This account represents funds held by the School District available to service long-term debt.

Restricted for Building:

This account represents funds held by the School District available to provide future capital outlay.

Restricted for Student Activities:

This account represents funds held by the School District available to provide financial resources for student account activities.

Assigned for Food Service:

This account represents funds held by the School District available for Food Service expenditures.

**NOTE 7 DEFINED BENEFIT PENSION PLANS – STATEWIDE**

Substantially, all employees of the District are required by state law to belong to pension plans administered by Teacher's Fund for Retirement (TFFR) or the North Dakota Public Employee Retirement System (NDPERS), both of which are administered on a statewide basis.

Disclosures relating to these plans follow:

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

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

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

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

***Pension Benefits***

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

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2021**

*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.



**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2021**

**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 \$2,316,769 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2020, the Employer's proportion was 0.151373 percent which was a decrease of 0.006795 from its proportion measured as of June 30, 2019.

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2021**

For the year ended June 30, 2021, the Employer recognized pension expense of \$223,833. At June 30, 2021, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 478	\$ 86,943
Changes in actuarial assumptions	104,275	-
Difference between projected and actual investment earnings	143,017	-
Changes in proportion	35,716	163,392
Contributions paid to TFFR subsequent to the measurement date	150,611	-
Total	<u>\$ 434,097</u>	<u>\$ 250,335</u>

\$150,611 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022.

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

<u>Year ending June 30:</u>	<u>Pension Expense Amount</u>
2022	\$ 21,977
2023	(2,236)
2024	21,592
2025	6,244
2026	(7,974)
Thereafter	(6,452)

**Actuarial Assumptions**

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

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

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

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2021**

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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global Equities	58.00%	6.90%
Global Fixed Income	23.00%	1.30%
Global Real Assets	18.00%	5.00%
Cash Equivalents	1.00%	0.00%

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2021**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25% 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 Employer'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 6.25%	Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
School's proportionate share of the TFFR net pension liability:	\$ 3,085,812	\$ 2,316,769	\$ 1,677,655

**Pension Plan Fiduciary Net Position**

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

**North Dakota Public Employees' Retirement 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.

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2021

**Pension Benefits**

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

**Refunds of Member Account Balance**

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

**Member and Employer Contributions**

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages.

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2021**

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 \$853,327 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2020, the District's proportion was 0.027124 percent which was an increase of 0.004244 from its proportion measured July 1, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$152,392. 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	\$ 3,321	\$ 43,239
Changes in actuarial assumptions	457,437	75,626
Difference between projected and actual investment earnings	27,541	-
Changes in proportion	43,792	33,335
Contributions paid to NDPERS subsequent to the measurement date	22,952	-
Total	<u>\$ 555,043</u>	<u>\$ 152,200</u>

\$22,952 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 ending 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:

Year ending June 30:	Pension Expense Amount
2022	\$ 108,217
2023	96,358
2024	80,221
2025	95,095
2026	-

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2021**

**Actuarial Assumptions**

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

Inflation	2.25%
Salary increases	3.5% 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30.00%	6.30%
International Equity	21.00%	6.85%
Private Equity	7.00%	9.75%
Domestic Fixed Income	23.00%	1.25%
Global Real Assets	19.00%	5.01%

**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.

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2021**

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.45%; and the resulting Single Discount Rate is 4.64%.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 4.64 percent, as well as what the 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 3.64%	Discount Rate 4.64%	1% Increase in Discount Rate 5.64%
School's proportionate share of the NDPERS net pension liability:	\$ 1,107,128	\$ 853,327	\$ 645,656

**Pension Plan Fiduciary Net Position**

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

**NOTE 8 DEFINED BENEFIT OPEB PLAN**

***Defined Benefit 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.



**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2021**

**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 \$22,079 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2020, the District's proportion was 0.026247 percent which was an increase of 0.004947 percent from its proportion measured as of July 1, 2019.

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2021**

For the year ended June 30, 2021, the District recognized OPEB expense of \$3,378. 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	\$ 490	\$ 529
Changes of assumptions	2,960	-
Net difference between projected and actual earnings on OPEB plan investments	759	-
Changes in proportion and differences between employer contributions and proportionate share of contribution	2,755	2,105
District contributions subsequent to the measurement date	3,675	-
Total	\$ 10,639	\$ 2,634

\$3,675 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 ending 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:

<b>Year Ending June 30:</b>	
2022	\$ 911
2023	1,108
2024	1,072
2025	878
2026	390
2027	(29)
Thereafter	-

***Actuarial Assumptions***

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

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

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2021**

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Large Cap Domestic Equities	33.00%	6.10%
Small Cap Domestic Equities	6.00%	7.00%
Domestic Fixed Income	40.00%	1.15%
International Equities	21.00%	6.45%

**Discount rate.** The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

	1% Decrease in Discount Rate 5.50%	Discount Rate 6.50%	1% Increase in Discount Rate 7.50%
District's proportionate share of the net OPEB liability	\$ 28,958	\$ 22,079	\$ 16,263

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2021**

**Pension Plan Fiduciary Net Position**

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

**NOTE 9 RISK MANAGEMENT**

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The District pays an annual premium to NDRIF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRIF is limited to losses on one million dollars per occurrence.

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the District with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The District participates in the North Dakota Worker's Compensation Bureau and purchases commercial insurance for employee health and accident insurance.

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

**NOTE 10 CONTINGENT LIABILITIES**

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies.

Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2021, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**NOTE 11 NON-MONETARY TRANSACTIONS**

The District receives food commodities from the federal government to subsidize its hot lunch program. The market value of commodities received for the year ended June 30, 2021 was \$7,258.

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2021**

**NOTE 12 COMMITMENTS**

The District leases copy machines under a non-cancelable operating lease for 5 years. The following is a schedule of future minimum rentals under the lease at June 30, 2021.

Year Ending June 30,	
2022	\$ 15,972
2023	15,972
2024	15,972
2025	15,972
	<u>\$ 63,888</u>

**NOTE 13 CHANGE IN ACCOUNTING PRINCIPAL AND RESTATEMENT OF NET POSITION**

Prior period adjustments were made to net position and fund balance to correct ending balances for Accounts Payable. The District implemented GASB Statement No. 84, Fiduciary Activities. As a result, beginning net position has been restated to reflect the related fund balance of resources as of July 1, 2020 and general fund balance have been restated as follows:

Net Position July 1, 2020, as Previously Reported	\$ 480,271
Restatement of Net Position for:	
Accounts Payable	(31,649)
Student Activity Fund Balance	<u>62,870</u>
Net Position July 1, 2020, as Restated	<u>\$ 511,492</u>

General Fund Balance July 1, 2020, as Previously Reported	\$ 460,900
Restatement of Fund Balance for:	
Accounts Payable	(31,649)
Student Activity Fund Balance	<u>62,870</u>
General Fund Balance July 1, 2020, as Restated	<u>\$ 492,121</u>

**NOTE 14 NEW PRONOUNCEMENTS**

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2021**

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides guidance to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notable, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement provides exceptions and clarifications regarding hedging derivative instruments for such transactions that result from the replacement of IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2021**

asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* provides additional guidance for determining whether a primary government is financially accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

Management has not yet determined what effect these statements will have on the District's financial statements.

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2021**

**NOTE 15 SUBSEQUENT EVENTS**

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through December 10, 2021, which is the date these financial statements were available to be issued.



**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		Over (Under) Final Budget
	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>			
Local Property Tax Levies	\$ 585,320	\$ 579,870	\$ (5,450)
Other Local & County Revenues	135,000	113,441	(21,559)
Revenue From State Sources	1,721,765	1,713,775	(7,990)
Revenue From Federal Sources	309,255	345,192	35,937
Interest	9,284	6,536	(2,748)
Other Revenue	131,771	277,532	145,761
<b>TOTAL REVENUES</b>	<u>2,892,395</u>	<u>3,036,346</u>	<u>143,951</u>
<b>EXPENDITURES</b>			
Business Support Services	221,111	224,088	2,977
Instructional Support Services	29,128	26,304	(2,824)
Administration	71,079	70,439	(640)
Operations and Maintenance	226,907	220,969	(5,938)
Transportation	245,944	168,963	(76,981)
Regular Instruction	1,893,839	1,659,114	(234,725)
Special Education	61,000	38,903	(22,097)
Vocational Education	1,750	40,283	38,533
Extra-Curricular Activities	112,801	284,795	171,994
Food Service	178,661	4,665	(173,996)
Capital Outlay	-	109,000	109,000
<b>TOTAL EXPENDITURES</b>	<u>3,042,220</u>	<u>2,847,523</u>	<u>(194,697)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(149,825)</u>	<u>188,823</u>	<u>338,648</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	<u>60,086</u>	<u>-</u>	<u>(60,086)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>60,086</u>	<u>-</u>	<u>(60,086)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	<u>(89,739)</u>	<u>188,823</u>	<u>278,562</u>
Fund Balance - Beginning of Year, as Originally Reported	460,900	460,900	-
GASB 84 Adjustment - See Note 13	-	62,870	-
Prior Period Adjustments - See Note 13	-	(31,649)	-
Fund Balance - Beginning of Year, as Restated	<u>-</u>	<u>492,121</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 371,161</u>	<u>\$ 680,944</u>	<u>\$ 278,562</u>

See Notes to the Required Supplementary Information

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
**SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE TFFR AND NDPERS PENSION PLANS**  
**LAST TEN YEARS (PRESENTED PROSPECTIVELY)**

**Teachers Fund for Retirement**

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2021	\$ 150,611	\$ (150,611)	\$ -	\$ 1,181,268	12.75%
2020	130,342	(130,342)	-	1,022,293	12.75%
2019	135,430	(135,430)	-	1,062,194	12.75%
2018	141,324	(141,324)	-	1,108,427	12.75%
2017	136,152	(136,152)	-	1,067,860	12.75%
2016	135,003	(135,003)	-	1,058,898	12.75%
2015	100,586	(100,586)	-	935,687	10.75%

**North Dakota Public Employees Retirement System**

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2021	\$ 22,952	\$ (22,952)	\$ -	\$ 322,362	7.12%
2020	21,862	(21,862)	-	307,052	7.12%
2019	20,345	(16,240)	4,105	276,221	5.88%
2018	20,294	(18,391)	1,903	279,861	6.57%
2017	20,467	(21,530)	(1,063)	282,701	7.62%
2016	20,646	(19,352)	1,294	271,804	7.12%
2015	16,893	(16,893)	-	237,266	7.12%

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for prior years is not available.

See Notes to the Required Supplementary Information

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
**SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE NDPERS OPEB PLAN**  
**LAST TEN YEARS (PRESENTED PROSPECTIVELY)**

**North Dakota Public Employees Retirement System – OPEB**

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered - Employee Payroll	Contributions as a Percentage of Covered - Employee Payroll
2021	\$ 3,675	\$ 3,675	\$ -	\$ 322,362	1.14%
2020	3,500	3,500	-	307,052	1.14%
2019	3,240	2,600	640	276,221	1.17%
2018	3,253	2,945	308	279,861	1.16%

The District implemented GASB Statement No. 75 for its fiscal year ended June 30, 2018. Information for prior years is not available.

See Notes to the Required Supplementary Information

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**LAST TEN YEARS (PRESENTED PROSPECTIVELY)**

**Teachers Fund for Retirement**

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.151373%	\$ 2,316,769	\$ 1,104,509	209.76%	63.40%
2020	0.158168%	2,178,372	1,022,293	213.09%	65.50%
2019	0.156249%	2,082,575	1,062,194	196.06%	65.50%
2018	0.164218%	2,255,581	1,108,427	203.49%	63.20%
2017	0.164356%	2,407,909	1,067,860	225.49%	59.20%
2016	0.172149%	2,251,460	1,058,898	212.62%	62.10%
2015	0.161311%	1,690,253	935,687	180.64%	66.60%

**North Dakota Public Employees Retirement System**

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.027124%	\$ 853,327	\$ 322,362	264.71%	48.91%
2020	0.022880%	268,205	307,052	87.35%	71.66%
2019	0.026890%	453,764	276,221	164.28%	62.80%
2018	0.027420%	440,649	279,861	157.45%	61.98%
2017	0.028050%	273,394	282,701	96.71%	70.46%
2016	0.030510%	207,463	271,804	76.33%	77.15%
2015	0.028170%	178,776	237,266	75.35%	77.70%

The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability which is June 30 of the previous fiscal year.

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for prior years is not available.

See Notes to the Required Supplementary Information

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY**  
**LAST TEN YEARS (PRESENTED PROSPECTIVELY)**

**North Dakota Public Employees Retirement System – OPEB**

For the Fiscal Year Ended June 30	District's proportion of the net OPEB liability (asset)	District's proportionate share of the net OPEB liability (asset)	District's covered - employee payroll	District's proportionate share of the net OPEB liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2021	0.0262%	\$ 22,952	\$ 322,362	7.12%	63.38%
2020	0.0213%	17,133	307,052	5.58%	63.13%
2019	0.0252%	19,881	276,221	7.20%	61.89%
2018	0.0259%	20,463	279,861	7.31%	59.78%

The amounts presented for each fiscal year were determined as of the measurement date of the collective net OPEB liability which is June 30 of the previous fiscal year.

The District implemented GASB Statement No. 75 for its fiscal year ended June 30, 2018. Information for prior years is not available.

See Notes to the Required Supplementary Information

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2021**

**NOTE 1– BUDGETARY COMPARISON**

**Budgets and Budgetary Accounting:**

The District's Board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School District, annually on or before the last day of July must levy taxes. The governing body of the School District may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year. Taxes for School District purposes must be based upon an itemized budget statement which must show the complete expenditure by program of the District for the current fiscal year and the sources of the revenue from which it is to be financed. The School Board, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the District and to provide a sinking fund to pay and discharge the principal thereon at maturity. During the current year in the General Fund, budgeted expenditures exceeded actual expenditures by \$194,697.

The Food Service Fund does not have a legally adopted budget.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The administration prepares the District's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.
2. The Board reviews the budget, may make revisions, and adopts the final budget at the September board meeting to ensure it is adopted before the fifteenth of October each year. The budget is then filed with the county auditor by October tenth of each year.
3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October fifteenth of each year. The budget amounts shown in the financial statements are the final authorized amounts.
4. All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED  
JUNE 30, 2021

**NOTE 2 – CHANGES OF BENEFIT TERMS AND ASSUMPTIONS**

**TFFR**

***Changes of assumptions***

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

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

**NDPERS**

***Changes of benefit terms.***

The interest rate earned on member contributions will decrease from 7.00 percent to 6.50 percent effective January 1, 2020 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent.

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED  
JUNE 30, 2021

For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

***Changes of assumptions.***

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

***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.



**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**

To the Board of Education  
Westhope Public School District No. 17  
Westhope, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the District as of and for the year ended June 30, 2021, and the related notes to the basic financial statements, which collectively comprise Westhope Public School District No. 17's basic financial statements and have issued our report thereon dated December 10, 2021.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Westhope Public School District No. 17's internal control over financial reporting (internal control) as a basis for designing 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 over financial reporting was for the limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-001 and 2021-002 that we consider to be significant deficiencies.

### **Compliance And Other Matters**

As part of obtaining reasonable assurance about whether Westhope Public School District No. 17's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

### **The District's Response To Finding**

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

### **Purpose Of This Report**

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



**BRADY, MARTZ & ASSOCIATES, P.C.  
GRAND FORKS, NORTH DAKOTA**

December 10, 2021

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**2021-001 Finding**

**Criteria**

An appropriate system of internal control maintains proper segregation of duties to provide reasonable assurance that transactions are handled appropriately.

**Condition**

The District has one employee responsible for most accounting functions. The business manager collects monies, issue checks, sends checks to vendors, records receipts and disbursements in journals, maintains the general ledger, and prepares financial reports.

**Cause**

There is one employee for multiple functions such as executing and recording transactions.

**Effect**

Lack of segregation of duties leads to a limited degree of internal control.

**Recommendation**

We recommend the organization review their internal controls over the accounting functions to determine if additional procedures can be implemented that are cost effective. The board should constantly be aware of this condition. Compensating controls that mitigate the related risks could be (or are) provided through appropriate oversight of the performance of these functions and review of the financial reports by individuals with knowledge of current operations and accounting principles.

**Management's Response**

Westhope Public Schools agrees with the finding and has enacted several steps to ensure additional oversight.

- 1) Superintendent initials off on all budget coding and review of invoices.
- 2) Superintendent initials off on all revenue codes to ensure proper accountability.
- 3) Superintendent initiates and directs all manual journal entries to the Business Manager and physically sits with the business manager as these journal entries are completed. If the posting of the journal entries is time sensitive, the superintendent receives telephonic approval from the school board president to post each entry. Finally, the superintendent initials and dates each journal entry as formally approved.
- 4) Superintendent and Business Manager review all manual journal entries, budget revisions and financial transactions both before and after they are formally posted to software unlimited to ensure accuracy.
- 5) The district will implement a procedure for segregation of duties when it becomes cost effective.

**WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17**  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**2021-002 Finding**

**Criteria**

An appropriate system of internal control requires the entity to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

**Condition**

The District's personnel prepare periodic financial information for internal use that meets the needs of management and the board. However, the entity currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The District has elected to have the auditors assist in the preparation of the financial statements and notes.

**Cause**

The District elected to not allocate resources for the preparation of the financial statements.

**Effect**

There is an increased risk of material misstatement to the District's financial statements.

**Recommendation**

We recommend the District consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control the District should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

**Management's Response**

Westhope Public School agrees with this finding, however at this time the personnel resources of Westhope Public School make the preparation of these select financial statements difficult to achieve. Furthermore, it will be the responsibility of the administration and business manager of Westhope Public Schools to ensure that the auditors source information of these select financial reports is accurate and also pertains to the annual financial report. The district will implement a procedure for preparation of these reports when it becomes cost effective