

WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17
WESTHOPE, NORTH DAKOTA

AUDITED BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17
ROSTER OF SCHOOL OFFICIALS - UNAUDITED
JUNE 30, 2023

Liz Tofteland	President
Katie Ogaard	Vice-President
Ben Cartwright	Board Member
Tyler Thompson	Board Member
Jason Huber	Board Member
Shane Byrans	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 Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Westhope School District No. 17 (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Westhope School District No. 17, as of June 30, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule for the general fund, 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 and notes as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

Management is responsible for the other information included in the annual report. The other information comprises the roster of school officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2024 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**

January 25, 2024

WESTHOPE SCHOOL DISTRICT NO. 17
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

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, 2023. 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 2022-2023 fiscal years are as follows:

- Net position of the District increased \$421,139 from current year operations.
- Governmental net position totaled \$1,798,335.
- Total revenues from all sources at the fund level were \$3,976,005.
- Total expenses at the fund level were \$4,463,662.
- The District's general fund had \$3,383,718 total revenues and \$3,146,341 in expenditures. Overall, the general fund balance decreased by \$265,662 for the year ended June 30, 2023, compared to an increase of \$253,959 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, 2023?" 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, 2023

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, 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, 2023 and 2022.

As indicated in the financial highlights, the District's net position increased by \$421,139. Long term liabilities by \$197,696 for the year ended June 30, 2023 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 \$1,798,335 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, 2023

Table 1
Statement of Net Position

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets	\$ 990,414	\$ 1,516,482
Capital Assets (Net of Accumulated Depreciation)	<u>5,379,713</u>	<u>5,437,560</u>
Total Assets	<u>6,370,127</u>	<u>6,954,042</u>
 Deferred Outflows of Resources	 <u>1,282,851</u>	 <u>695,029</u>
 Liabilities		
Current Liabilities	333,192	465,556
Non-Current Liabilities	<u>5,005,831</u>	<u>4,542,828</u>
Total Liabilities	<u>5,339,023</u>	<u>5,008,384</u>
 Deferred Inflows of Resources	 <u>515,620</u>	 <u>1,263,491</u>
 Net Position		
Net Investment in Capital Assets	3,543,051	2,581,905
Restricted	140,222	358,272
Unrestricted	<u>(1,884,938)</u>	<u>(1,562,981)</u>
Total Net Position	<u>\$ 1,798,335</u>	<u>\$ 1,377,196</u>

WESTHOPE SCHOOL DISTRICT NO. 17
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

Table 2 shows the changes in net position for the fiscal years ended June 30, 2023 and 2022.

Table 2
Changes in Net Assets

	<u>2023</u>	<u>2022</u>
Revenues		
Program Revenues		
Charges for Services	\$ 203,548	\$ 14,921
Operating Grants and Contributions	1,034,396	1,301,140
General Revenues		
Property Taxes	990,796	992,479
State Aid - Formula Grants	1,733,118	1,665,165
Investment Earnings	5,510	5,712
Total Revenues	<u>3,967,368</u>	<u>3,979,417</u>
Expenses		
Business Support Services	273,483	277,524
Instructional Support Services	26,603	27,362
Administration	78,678	75,441
Operations and Maintenance	316,640	327,157
Transportation	203,831	290,015
Regular Instruction	2,051,537	1,843,695
Special Education	62,558	61,664
Vocational Education	28,672	-
Extra-Curricular Activities	251,395	244,526
Food Services	223,337	215,074
Interest and Fees on Long-Term Debt	29,495	50,598
Total Expenses	<u>3,546,229</u>	<u>3,413,056</u>
Change in Net Position	421,139	566,361
Net Position - Beginning	<u>1,377,196</u>	<u>810,835</u>
Net Position - Ending	<u>\$ 1,798,335</u>	<u>\$ 1,377,196</u>

Property taxes constituted 25%, state aid 44%, operating grants and contributions 26%, and charges for services made up 5% of the total revenues of governmental activities of the District for fiscal year 2023.

Regular instruction comprised 58% 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, 2023

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.

	Total Cost for Year Ended 6/30/2023	Net Cost for Year Ended 6/30/2023	Total Cost for Year Ended 6/30/2022	Net Cost for Year Ended 6/30/2022
Business Support Services	\$ 273,483	\$ (273,483)	\$ 277,524	\$ (277,524)
Instructional Support Services	26,603	(26,603)	27,362	(27,362)
Administration	78,678	(78,678)	75,441	(75,441)
Operations and Maintenance	316,640	(316,640)	327,157	(327,157)
Transportation	203,831	(92,351)	290,015	(180,869)
Regular Instruction	2,051,537	(1,252,759)	1,843,695	(854,852)
Special Education	62,558	(62,558)	61,664	(61,664)
Vocational Education	28,672	(26,115)	-	3,641
Extra-Curricular Activities	251,395	(104,079)	244,526	(244,526)
Food Services	223,337	(45,524)	215,074	(643)
Interest and Fees on Long-Term Debt	29,495	(29,495)	50,598	(50,598)
Total Expenses	<u>\$ 3,546,229</u>	<u>\$ (2,308,285)</u>	<u>\$ 3,413,056</u>	<u>\$ (2,096,995)</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, 2023

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 \$3,976,005 and \$3,988,688 and expenditures of \$4,463,662 and \$3,704,167 for the years ended June 30, 2023 and 2022, respectively. As of June 30, 2023 and 2022, the unassigned fund balance of the District's general fund was \$638,249 and \$916,817 and total fund balance for all the District's governmental funds were \$803,931 and \$1,291,590, respectively.

General Fund Budgeting Highlights

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

Actual revenues were \$107,857 higher than expected and actual expenditures were \$126,742 less than budget in the general fund primarily due to actual other revenues coming in higher than anticipated and regular instruction expenses, and food service expenditures coming in lower than anticipated.

Capital Assets

As of June 30, 2023 and 2022, the District had \$5,379,713 and \$5,437,560, respectively, invested in net capital assets. Table 4 shows capital asset balances as of June 30, 2023 and 2022. See Note 4 for details.

Table 4

	<u>2023</u>	<u>2022</u>
Land and Land Improvements	\$ 28,000	\$ 28,000
Construction in Progress	-	42,121
Buildings	5,033,470	5,012,683
Equipment	126,170	143,288
Leased Assets	21,511	36,853
Vehicles	170,562	174,615
Total	<u>\$ 5,379,713</u>	<u>\$ 5,437,560</u>

WESTHOPE SCHOOL DISTRICT NO. 17
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

Outstanding Debt

As of June 30, 2023 and 2022, the District had \$ in outstanding debt. The District its overall debt by \$197,696 from June 30, 2022. See below and Note 6 for a description of the District's debt.

	Balance 7/1/2022	Additions	Retirements	Balance 6/30/2023	Due in One Year
General Obligation School Building Bonds, Series 2014	\$ 850,000	\$ -	\$ 850,000	\$ -	\$ -
General Obligation School Building Bonds, Series 2014B	1,965,263	-	154,319	1,810,944	156,461
Premium on Bonds Payable	2,918	-	243	2,675	-
Net Lease Liability	37,474	-	(14,431)	51,905	15,170
Compensated Absences	60,943	-	34,878	26,065	26,065
Net OPEB Liability	13,291	17,486	3,676	27,101	-
Net Pension Liability	1,913,225	1,793,358	392,884	3,313,699	-
Total	<u>\$ 4,843,114</u>	<u>\$ 1,810,844</u>	<u>\$ 1,421,569</u>	<u>\$ 5,232,389</u>	<u>\$ 197,696</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 have changed significantly for 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. The replacement of these dollars required the development of a long-term strategic financial plan to prevent going backwards and creating a deferred purchasing backlog in the future. A financial strategic plan was revised and approved by the school board in June 2023. We have completed the strategic plan 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 in June 2023, 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

WESTHOPE SCHOOL DISTRICT NO. 17
STATEMENT OF NET POSITION
JUNE 30, 2023

ASSETS

Current Assets:

Cash	\$ 885,739
Property Taxes Receivable (Net)	65,378
Due From Other Governments	39,297
Total Current Assets	<u>990,414</u>

Non-Current Assets:

Capital Assets	
Land	28,000
Buildings	6,058,217
Equipment	447,136
Vehicles	553,653
Less Accumulated Depreciation	(1,728,804)
Lease Assets	64,532
Less Accumulated Amortization	(43,021)
Total Non-Current Assets	<u>5,379,713</u>

TOTAL ASSETS 6,370,127

DEFERRED OUTFLOWS OF RESOURCES

Cost Sharing Defined Benefit Pension Plan - TFFR	573,712
Cost Sharing Defined Benefit Pension Plan - NDPERS	694,098
Cost Sharing Defined Benefit OPEB Plan - NDPERS	15,041
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,282,851</u>

LIABILITIES

Current Liabilities:

Accounts Payable	6,805
Accrued Payroll	128,691
Compensated Absences	26,065
Bonds Payable Within a Year	156,461
Lease Payable Within a Year	15,170
Total Current Liabilities	<u>333,192</u>

Long-Term Liabilities:

Bonds Payable (Net of Current Portion)	1,657,158
Lease Payable (Net of Current Portion)	7,873
Net OPEB Liability	27,101
Net Pension Liability	3,313,699
Total Non-Current Liabilities	<u>5,005,831</u>

TOTAL LIABILITIES 5,339,023

DEFERRED INFLOWS OF RESOURCES

Cost Sharing Defined Benefit Pension Plan - TFFR	145,823
Cost Sharing Defined Benefit Pension Plan - NDPERS	366,616
Cost Sharing Defined Benefit OPEB Plan - NDPERS	3,181
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>515,620</u>

NET POSITION

Net Investment in Capital Assets	3,543,051
Restricted for:	
Debt Service	56,371
Student Activity	30,992
Building	52,859
Unrestricted	(1,884,938)

TOTAL NET POSITION \$ 1,798,335

See Notes to the Financial Statements

WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
Business Support Services	\$ 273,483	\$ -	\$ -	\$ (273,483)
Instructional Support Services	26,603	-	-	(26,603)
Administration	78,678	-	-	(78,678)
Operations and Maintenance	316,640	-	-	(316,640)
Transportation	203,831	-	111,480	(92,351)
Regular Instruction	2,051,537	-	798,778	(1,252,759)
Special Education	62,558	-	-	(62,558)
Vocational Education	28,672	-	2,557	(26,115)
Extra-Curricular Activities	251,395	147,316	-	(104,079)
Food Services	223,337	56,232	121,581	(45,524)
Interest and Fees on Long-Term Debt	29,495	-	-	(29,495)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 3,546,229</u>	<u>\$ 203,548</u>	<u>\$ 1,034,396</u>	<u>(2,308,285)</u>
GENERAL REVENUES				
Property Taxes, Levied for General Purposes				580,114
Property Taxes, Levied for Capital Projects				90,659
Property Taxes, Levied for Debt Service				320,023
Aids and Payments from the State				1,733,118
Unrestricted Investment Earnings				5,510
TOTAL GENERAL REVENUES				<u>2,729,424</u>
Change in Net Position				421,139
Net Position - Beginning				<u>1,377,196</u>
Net Position - Ending				\$ 1,798,335

See Notes to the Financial Statements

WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Debt Service	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 756,184	\$ 37,624	\$ 91,931	\$ 885,739
Property Taxes Receivable (Net)	41,708	18,747	4,923	65,378
Due from Other Governments	29,563	-	9,734	39,297
	<u>827,455</u>	<u>56,371</u>	<u>106,588</u>	<u>990,414</u>
TOTAL ASSETS	<u>\$ 827,455</u>	<u>\$ 56,371</u>	<u>\$ 106,588</u>	<u>\$ 990,414</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ 6,805	\$ 6,805
Accrued Payroll	128,691	-	-	128,691
	<u>128,691</u>	<u>-</u>	<u>6,805</u>	<u>135,496</u>
TOTAL LIABILITIES	<u>128,691</u>	<u>-</u>	<u>6,805</u>	<u>135,496</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Uncollected Taxes	29,523	17,028	4,436	50,987
	<u>29,523</u>	<u>17,028</u>	<u>4,436</u>	<u>50,987</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>29,523</u>	<u>17,028</u>	<u>4,436</u>	<u>50,987</u>
FUND BALANCES				
Restricted	30,992	39,343	48,423	118,758
Assigned	-	-	46,924	46,924
Unassigned	638,249	-	-	638,249
	<u>669,241</u>	<u>39,343</u>	<u>95,347</u>	<u>803,931</u>
TOTAL FUND BALANCES	<u>669,241</u>	<u>39,343</u>	<u>95,347</u>	<u>803,931</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 827,455</u>	<u>\$ 56,371</u>	<u>\$ 106,588</u>	<u>\$ 990,414</u>

WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total fund balances - governmental funds	\$ 803,931
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	\$ 7,087,006
Less: accumulated depreciation	<u>(1,728,804)</u>
Net	5,358,202
Lease assets used in governmental activities are not financial resources and therefore are not reported as net assets in government funds:	
Cost of lease assets	\$ 64,532
Less: accumulated amortization	<u>(43,021)</u>
Net	21,511
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.	767,231
Bond premiums that are amortized over the life of the debt issue.	(2,675)
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.	50,987
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	(1,810,944)
Lease Payable	(23,043)
Compensated Absences	(26,065)
Net OPEB Liability	(27,101)
Net Pension Liability	<u>(3,313,699)</u>
Net Position - Governmental Activities	<u>\$ 1,798,335</u>

WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Debt Service	Other Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Local Property Tax Levies	\$ 584,959	\$ 322,670	\$ 91,804	\$ 999,433
Other Local and County Revenues	82,030	-	10,083	92,113
Revenue from State Sources	1,844,598	-	569	1,845,167
Revenue from Federal Sources	389,273	-	121,012	510,285
Interest	5,510	-	-	5,510
Other Revenue	477,348	-	46,149	523,497
TOTAL REVENUES	3,383,718	322,670	269,617	3,976,005
EXPENDITURES				
Current:				
Business Support Services	273,483	-	-	273,483
Instructional Support Services	26,603	-	-	26,603
Administration	78,678	-	-	78,678
Operations and Maintenance	228,527	-	72,771	301,298
Transportation	172,778	-	-	172,778
Regular Instruction	1,899,040	-	-	1,899,040
Special Education	62,558	-	-	62,558
Vocational Education	28,672	-	-	28,672
Extra-Curricular Activities	251,395	-	-	251,395
Food Services	81,690	-	141,647	223,337
Capital Outlay	27,000	-	70,332	97,332
Debt Service:				
Principal Retirement	14,431	1,004,319	-	1,018,750
Interest and Fiscal Charges on Long-Term Debt	1,486	28,252	-	29,738
TOTAL EXPENDITURES	3,146,341	1,032,571	284,750	4,463,662
Excess (Deficiency) of Revenues over Expenditures	237,377	(709,901)	(15,133)	(487,657)
OTHER FINANCING SOURCES				
Transfers Out	(534,063)	-	(31,000)	(565,063)
Transfers In	31,024	501,585	32,454	565,063
TOTAL OTHER FINANCING SOURCES (USES)	(503,039)	501,585	1,454	-
Net Change in Fund Balances	(265,662)	(208,316)	(13,679)	(487,657)
Fund Balance - Beginning of Year	934,903	247,659	109,026	1,291,588
Fund Balance - End of Year	\$ 669,241	\$ 39,343	\$ 95,347	\$ 803,931

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, 2023

Total net change in fund balances - Governmental Funds	\$	(487,657)
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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	\$	97,332
Depreciation Expense		<u>(139,837)</u>

Excess of depreciation expense over capital outlay		(42,505)
--	--	----------

Lease payments are reported in the governmental funds as expenditures. However, in the statement of activities, those assets are set up as lease assets and amortized over the life of the lease along with interest expenses. In the current period, this resulted in the following difference:

Amortization expense - leases		(15,342)
Fund financials expenses - leases		14,431

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		(8,637)
--	--	---------

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.		1,004,319
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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		34,878
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Changes in deferred outflows and inflows of resources related to net pension liability		1,335,693
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Change in net OPEB liability		(13,810)
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Change in net pension liability		(1,400,474)
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Amortization of premiums received from bond issuance		<u>243</u>
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Change in net position - Governmental Activities	\$	<u>421,139</u>
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See Notes to the Basic Financial Statements

WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023

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.

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.

The District's non-major funds are as follows:

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.

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, 2023

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, 2023

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, 2023

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 \$126,742 under budget at June 30, 2023.

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, 2023

Leases:

The determination of whether an arrangement contains a lease is made at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the District has control of the right to use asset. Control includes the right to obtain present service capacity and the right to determine the nature and manner of use of the underlying asset, as specified in the contract.

Leases with an initial lease term of more than 12 months, or that contain an option to purchase that the District is reasonably certain to exercise, are recognized based on the present value of lease payments over the lease term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the District uses its incremental borrowing rate based on the information available at the lease commencement date. The District has made an accounting policy election to use a risk free rate based on US Treasury Tbill rate as of the lease commencement. The District accounts for lease agreements with lease and non-lease components together as a single lease component for all underlying classes of assets.

The District continues to record rent expense for short term leases on a straight-line basis over the lease term. Short term leases have a term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the District is reasonably certain to exercise.

The depreciable life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

The District's lease agreements do not include any material residual value guarantees or restrictive covenants.

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.

WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

Fund Balance Classifications:

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

Nonspendable - Consists of amounts that are not in spendable form, such as inventory and prepaid items.

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.

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

WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

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.

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, 2023.

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

WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

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, 2023, 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.

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, 2023, the carrying amount of the District's deposits was \$885,739 and the bank balance was \$856,931. 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.

WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

NOTE 4 CAPITAL ASSETS

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

	Balance 7/1/2022	Additions	Disposals	Transfers	Balance 6/30/2023
Governmental Activities:					
Capital Assets Not Being Depreciated					
Land	\$ 28,000	\$ -	\$ -	\$ -	\$ 28,000
Construction in Progress	42,121	-	-	(42,121)	-
Total	70,121	-	-	(42,121)	28,000
Capital Assets Being Depreciated					
Buildings	5,952,946	63,150	-	42,121	6,058,217
Equipment	439,954	7,182	-	-	447,136
Vehicles	526,653	27,000	-	-	553,653
Total	6,919,553	97,332	-	42,121	7,059,006
Less Accumulated Depreciation					
Buildings	940,263	84,484	-	-	1,024,747
Equipment	296,666	24,300	-	-	320,966
Vehicles	352,038	31,053	-	-	383,091
Total	1,588,967	139,837	-	-	1,728,804
Net Capital Assets Being Depreciated	5,330,586	(42,505)	-	-	5,288,081
Lease Assets Being Amortized					
Copy Machine	64,532	-	-	-	64,532
Equipment	25	-	25	-	-
Total	64,557	-	25	-	64,532
Less Accumulated Amortization					
Copy Machine	(27,679)	(15,342)	-	-	(43,021)
Equipment	(25)	-	(25)	-	-
Total	(27,704)	(15,342)	(25)	-	(43,021)
Net Lease Assets Being Amortized	36,853	(15,342)	-	-	21,511
Net Capital Assets for Governmental Activities	<u>\$ 5,437,560</u>	<u>\$ (57,847)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,379,713</u>

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

WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

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 7/1/2022	Additions	Retirements	Balance 6/30/2023	Due in One Year
General Obligation School Building Bonds, Series 2014	\$ 850,000	\$ -	\$ 850,000	\$ -	\$ -
General Obligation School Building Bonds, Series 2014B	1,965,263	-	154,319	1,810,944	156,461
Premium on Bonds Payable	2,918	-	243	2,675	-
Net Lease Liability	37,474	-	(14,431)	51,905	15,170
Compensated Absences	60,943	-	34,878	26,065	26,065
Net OPEB Liability	13,291	17,486	3,676	27,101	-
Net Pension Liability	1,913,225	1,793,358	392,884	3,313,699	-
Total	<u>\$ 4,843,114</u>	<u>\$ 1,810,844</u>	<u>\$ 1,421,569</u>	<u>\$ 5,232,389</u>	<u>\$ 197,696</u>

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 bond is fully paid off as of June 30, 2023.

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

The District leases copy machines under a non-cancelable lease for 5 years, commencing on November 20, 2019 with an annual payment of \$15,977. The District also leases miscellaneous equipment under a non-cancelable lease for 6 years, commencing on August 1, 2016 with an annual payment of \$25.

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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
2024	\$ 156,461	\$ 18,097	\$ 174,558
2025	158,025	16,533	174,558
2026	159,605	14,953	174,558
2027	161,202	13,356	174,558
2028	162,814	11,744	174,558
2029-2033	838,818	30,972	869,790
2034-2034	174,019	539	174,558
	<u>\$ 1,810,944</u>	<u>\$ 106,194</u>	<u>\$ 1,917,138</u>

Interest expense was \$29,495 for the year ended June 30, 2023.

Following is a schedule by years of future minimum rental payments required under the lease:

Maturity Analysis	Principal	Interest	Total Payments
2024	\$ 15,170	\$ 808	\$ 15,978
2025	7,873	115	7,988
Total Future Payments	<u>\$ 23,043</u>	<u>\$ 923</u>	<u>\$ 23,966</u>

NOTE 6 FUND BALANCES

CLASSIFICATIONS

At June 30, 2023, a summary of the governmental fund balance classifications are as follows:

	General Fund	Capital Projects	Debt Service	Food Service	Total
Restricted for:					
Capital Projects	\$ -	\$ 48,423	\$ -	\$ -	\$ 48,423
Debt Service	-	-	39,343	-	39,343
Student Activities	30,992	-	-	-	30,992
Total Restricted	<u>30,992</u>	<u>48,423</u>	<u>39,343</u>	<u>-</u>	<u>118,758</u>
Assigned for:					
Food Service	-	-	-	46,924	46,924
Unassigned:	638,249	-	-	-	638,249
Total	<u>\$ 669,241</u>	<u>\$ 48,423</u>	<u>\$ 39,343</u>	<u>\$ 46,924</u>	<u>\$ 803,931</u>

Restricted fund balances reflect resources restricted for statutorily defined purposes not accounted for in a separate fund. At June 30, 2023, there were the following accounts:

Restricted for Debt Service:

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

Restricted for Capital Projects:

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

Restricted for Student Activities:

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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.

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.

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

An active member is eligible to receive disability benefits when: (a) a total disability lasting 12 months or more does not allow the continuation of teaching, (b) the member has accumulated five years of credited service in North Dakota, and (c) the Board of Trustees of TFFR has

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NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
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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, 2023, the District reported a liability of \$2,399,795 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2022, 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, 2022, the Employer's proportion was 0.164815 percent which was an increase of 0.00011543 from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Employer recognized pension expense of \$130,517. At June 30, 2023, 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	\$ 10,345	\$ 64,073
Changes in actuarial assumptions	48,798	-
Difference between projected and actual investment earnings	179,748	-
Changes in proportion	168,562	81,750
Contributions paid to TFFR subsequent to the measurement date	166,259	-
Total	<u>\$ 573,712</u>	<u>\$ 145,823</u>

\$166,259 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, 2024.

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NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
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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
2024	\$ 29,158
2025	12,426
2026	(4,334)
2027	160,449
2028	23,012
Thereafter	40,919

Actuarial Assumptions

The total pension liability in the July 1, 2022 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.

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, 2022, funding actuarial valuation for TFFR.

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 TFFR investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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

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NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the TFFR target asset allocation as of June 30, 2022, is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	55.00%	6.61%
Global Fixed Income	26.00%	0.35%
Global Real Assets	18.00%	4.60%
Cash Equivalents	1.00%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at rates equal to those based on the July 1, 2022, 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, TFFR's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on TFFR investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2022.

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

The following presents the net pension liability of the TFFR Employers calculated using the discount rate of 7.25 percent as of June 30, 2022, as well as what the Employers' 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:	\$ 3,297,099	\$ 2,399,795	\$ 1,655,595

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report. TFFR's Annual Comprehensive Financial Report (ACFR) is located at:

<https://www.rio.nd.gov/sites/www/files/documents/PDFs/RIO/Reports/annualreport2022.pdf>

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

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

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

Pension Benefits

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

The Main Plan will be closed to new employees with the passage of House Bill 1040. The effective date is dependent upon NDPERS implementing the changes to set up a new defined contribution (DC) plan. If the DC plan is set up by December 31, 2023, then the effective date of the Main Plan closure will be January 1, 2024. If the changes cannot be accomplished by then, the effective date will be January 1, 2025.

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

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disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

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

Member and Employer Contributions

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

Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020, member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation. Employer contribution rates increase by 1% beginning January 1, 2024.

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, 2023, the District reported a liability of \$913,903 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2022, the District's proportion was 0.031732 percent which was an increase of 0.00003116 from its proportion measured July 1, 2021.

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For the year ended June 30, 2023, the District recognized pension expense of \$139,945. At June 30, 2023, the District 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	\$ 4,767	\$ 17,457
Changes in actuarial assumptions	546,527	338,817
Difference between projected and actual investment earnings	33,449	-
Changes in proportion	81,511	10,342
Contributions paid to NDPERS subsequent to the measurement date	27,844	-
Total	<u>\$ 694,098</u>	<u>\$ 366,616</u>

\$27,844 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, 2024.

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>
2024	\$ 85,569
2025	102,103
2026	20,227
2027	91,739
2028	-

Actuarial Assumptions

The total pension liability in the July 1, 2022 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	5.10%, 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

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asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate
		of Return
Domestic Equity	30.00%	5.75%
International Equity	21.00%	6.45%
Private Equity	7.00%	9.20%
Domestic Fixed Income	23.00%	0.34%
Global Real Assets	19.00%	4.35%

Discount Rate

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.69%; and the resulting Single Discount Rate is 5.10%.

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 5.10 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 (4.10 percent) or 1-percentage-point higher (6.10 percent) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	4.10%	5.10%	6.10%
School's proportionate share of the NDPERS net pension liability:	\$ 1,206,289	\$ 913,903	\$ 673,864

Pension Plan Fiduciary Net Position

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

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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.

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

WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

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, 2023, the District reported a liability of \$27,101 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022 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, 2022, the District's proportion was 0.022578 percent which was a decrease of 0.00001319 from its proportion measured as of July 1, 2021.

For the year ended June 30, 2023, the District recognized OPEB expense of \$4,172. At June 30, 2023, 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	\$ 641	\$ 233
Changes of assumptions	6,827	-
Net difference between projected and actual earnings on OPEB plan investments	3,649	-
Changes in proportion and differences between employer contributions and proportionate share of contribution	1,569	2,948
District contributions subsequent to the measurement date	2,355	-
Total	<u>\$ 15,041</u>	<u>\$ 3,181</u>

\$2,355 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, 2024.

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

Year Ending June 30:	
2024	\$ 2,502
2025	2,340
2026	1,907
2027	2,756
2028	-

WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

Actuarial Assumptions

The total OPEB liability in the July 1, 2022 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	5.75%, net of investment expenses
Cost-of-living adjustments	None

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Broad US Equity	39.00%	5.75%
International Equities	26.00%	6.00%
Core-Plus Fixed Income	35.00%	0.22%

Discount rate. The discount rate used to measure the total OPEB liability was 5.39%. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. 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.

WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

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, 2022, calculated using the discount rate of 5.39 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 (4.39 percent) or 1-percentage-point higher (6.39 percent) than the current rate:

	1% Decrease in Discount Rate 4.39%	Discount Rate 5.39%	1% Increase in Discount Rate 6.39%
District's proportionate share of the net OPEB liability	\$ 34,592	\$ 27,101	\$ 20,812

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 (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The District pays an annual premium to NDIRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDIRF 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 AND COMMITMENTS

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

WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

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, 2023, 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, 2023 was \$17,881.

NOTE 12 NEW PRONOUNCEMENTS

GASB Statement No. 99, *Omnibus 2022*, provides guidance on the following accounting matters:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, enhances the accounting and financial reporting requirements for accounting changes and error corrections. The standard is effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences through aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The standard is effective for fiscal years beginning after December 15, 2023.

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

NOTE 13 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through January 25, 2024, 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, 2023

	Budgeted Amounts		
	Original/ Final	Actual	Over (Under) Final Budget
REVENUES			
Local Property Tax Levies	\$ 587,190	\$ 584,959	\$ (2,231)
Other Local & County Revenues	81,000	82,030	1,030
Revenue From State Sources	1,846,954	1,844,598	(2,356)
Revenue From Federal Sources	420,573	389,273	(31,300)
Interest	6,250	5,510	(740)
Other Revenue	333,894	477,348	143,454
TOTAL REVENUES	3,275,861	3,383,718	107,857
EXPENDITURES			
Business Support Services	260,859	273,483	12,624
Instructional Support Services	31,716	26,603	(5,113)
Administration	81,087	78,678	(2,409)
Operations and Maintenance	272,390	228,527	(43,863)
Transportation	180,574	172,778	(7,796)
Regular Instruction	1,986,309	1,899,040	(87,269)
Special Education	56,000	62,558	6,558
Vocational Education	22,040	28,672	6,632
Extra-Curricular Activities	141,360	251,395	110,035
Food Service	208,914	81,690	(127,224)
Capital Outlay	-	27,000	27,000
Principal Retirement	-	14,431	(14,431)
Interest and Fiscal Charges on Long-Term Debt	-	1,486	(1,486)
TOTAL EXPENDITURES	3,241,249	3,146,341	(126,742)
Excess (Deficiency) of Revenues Over Expenditures	34,612	237,377	234,599
OTHER FINANCING SOURCES (USES)			
Transfers Out	(501,585)	(534,063)	(32,478)
Transfers In	10,000	31,024	21,024
TOTAL OTHER FINANCING SOURCES (USES)	(491,585)	(503,039)	(11,454)
Net Change in Fund Balance	(456,973)	(265,662)	191,311
Fund Balance - Beginning of Year	934,903	934,903	-
Fund Balances - Ending	\$ 477,930	\$ 669,241	\$ 191,311

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

<u>Fiscal Year Ended June 30</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
2023	\$ 166,259	\$ (166,259)	\$ -	\$ 1,303,993	12.75%
2022	165,361	(165,361)	-	1,297,878	12.74%
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

<u>Fiscal Year Ended June 30</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
2023	\$ 27,844	\$ (27,844)	\$ -	\$ 365,605	7.62%
2022	27,471	(27,471)	-	365,462	7.52%
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 PENSION 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
2023	\$ 2,355	\$ (2,355)	\$ -	\$ 206,578	1.14%
2022	2,716	(2,716)	-	238,246	1.14%
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
2023	0.164815%	\$ 2,399,795	\$ 1,296,951	185.03%	67.50%
2022	0.153272%	1,614,960	1,181,268	136.71%	75.70%
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
2023	0.031730%	\$ 913,903	\$ 322,362	283.50%	54.47%
2022	0.028616%	298,265	322,362	92.52%	78.26%
2021	0.027124%	853,327	299,205	285.20%	48.91%
2020	0.022883%	268,205	238,025	112.68%	71.66%
2019	0.026888%	453,764	276,221	164.28%	63.53%
2018	0.027415%	440,649	279,861	157.45%	61.98%
2017	0.028052%	273,394	282,701	96.71%	70.46%
2016	0.030510%	207,463	271,804	76.33%	77.15%
2015	0.028166%	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
2023	0.0226%	\$ 27,101	\$ 233,092	11.63%	56.28%
2022	0.0239%	13,291	322,362	4.12%	76.63%
2021	0.0262%	22,079	299,205	7.38%	63.38%
2020	0.0213%	17,133	238,025	7.20%	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, 2023

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 \$126,742.

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, 2023

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 decreased from 6.50 percent to 6.00 percent effective January 1, 2023 (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 increased from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the

WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
JUNE 30, 2023

last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

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 investment return assumption was updated from 7.00% to 6.50% beginning with the actuarial valuation as of July 1, 2022. All other actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020.

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, 2020.

Changes of assumptions.

The investment return assumption was updated from 6.50% to 5.75% beginning with the actuarial valuation as of July 1, 2022. All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2021.

**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, each major fund and the aggregate remaining fund information of the District as of and for the year ended June 30, 2023, 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 January 25, 2024.

Report on 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 2023-001 and 2023-002 that we consider to be significant deficiencies.

Report on 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 Responses To Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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**

January 25, 2024

WESTHOPE PUBLIC SCHOOL DISTRICT NO. 17
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023

2023-001 Finding

Criteria

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

Condition

There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keepings and reconciliation.

Cause

The District is subject to size and budget constraints limiting the number of personnel within the accounting department.

Effect

The design of internal control over financial reporting could adversely affect the ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Recommendation

We recommend the District 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, 2023

2023-002 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.