

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**AUDIT REPORT**  
**Year Ended June 30, 2016**

Nadine Julson, LLC

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

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**For the Year Ended June 30, 2016**

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**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**OFFICIAL DIRECTORY**  
**June 30, 2016**

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President	Dan Wynn
Vice-President	Damon DeVillers
Board Member	Ginny Buck
Board Member	Art Nelson
Board Member	Susan Rittenour
Board Member	Tim Weisz
Board Member	Mike Hauschild
Board Member	Jake Kubela
Board Member	Julie Van Eps
Superintendent	Rick Jacobson
Business Manager	Laura Dokken

**Nadine Julson, LLC**  
Nadine Julson, Certified Public Accountant

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**INDEPENDENT AUDITOR'S REPORT**

School Board  
Wahpeton Public School District No. 37  
Wahpeton, North Dakota 58075

**REPORT ON THE FINANCIAL STATEMENTS**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wahpeton Public School District No. 37, Wahpeton, North Dakota, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

**MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

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

**AUDITOR'S RESPONSIBILITY**

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**OPINIONS**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wahpeton Public School District No. 37, Wahpeton, North Dakota, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**OTHER MATTERS**

*Correction of an error*

As described in note 26 to the financial statements, a prior period adjustment has been made to property state internal service fund net position in the statement of net position. Our opinions are not modified with respect to these matters.

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules on pages 4 through 9, 44, and 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

The combining nonmajor fund financial statements, statement of receipts and disbursements – activity fund, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining nonmajor fund financial statements, statement of receipts and disbursements – activity fund, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, I have also issued a report dated December 6, 2016, on my consideration of the School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wahpeton Public School District No. 37's internal control over financial reporting and compliance.



NADINE JULSON, LLC  
Wahpeton, North Dakota  
December 6, 2016

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2016**

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The Management's Discussion and Analysis (MD&A) of Wahpeton Public School District No. 37 financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of the MD&A is to look at the District's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

The MD&A is an element of the Required Supplementary information specified in the Government Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*. Certain comparative information between the current fiscal year and the prior year is presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2015-2016 are as follows:

The School District received 99.03% of projected revenue and expended 97.75% of projected expenditures, ending the fiscal year with a fund balance of \$3,122,032. As a result, the School District will begin the 2016-2017 year with a fund balance of 21% of its budget. Much, if not all, of the fund balance is used for cash flow purposes until property taxes and state foundation aid are received during the school year.

**USING THE ANNUAL REPORT**

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

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

**REPORTING ON THE DISTRICT AS A WHOLE**

*Statement of Net Position and Statement of Activities*

These statements are summaries of all the funds used by Wahpeton Public School District No. 37 to provide programs and activities and attempt to answer the question "How did the District do financially during the year ended June 30, 2016?"

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

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

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

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Management Discussion and Analysis – Continued**

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In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District’s programs and services are reported including, but not limited to, regular instruction, federal programs, special education, vocational education, administration, food services, operation and maintenance of buildings and grounds, student transportation, and co-curricular activities. The government-wide financial statements can be found on pages 10 – 12 of this report.

**REPORTING ON THE DISTRICT’S MOST SIGNIFICANT FUNDS**

*Balance Sheet-Governmental Funds*

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

The District’s other funds, which are used to account for a multitude of financial transactions including food services, special reserve, debt service and other capital projects, are summarized under the heading “Other Governmental Funds”.

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

In addition, the School District has the following fund types:

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

The internal service fund statements can be found on pages 17 – 19 of this report.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of students and parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the school’s own programs.

The basic fiduciary fund financial statement can be found on page 20 of the report.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 21 – 43 of the report.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

Table I provides a summary of the School District’s net positions as of June 30, 2016.

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the Wahpeton Public School District No. 37, net position decreased by \$590,751 for the year ending June 30, 2016.

The District’s net position of \$2,051,090 is segregated into three separate categories. Net position invested in capital assets (net of related debt) are not available for future spending. Restricted net position represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted net position are available to meet the School District’s ongoing obligations.



**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Management Discussion and Analysis – Continued**

**Table I**  
**Net Position**  
June 30,

	2016	2015
<b>Assets and Deferred Outflows:</b>		
Current Assets	\$ 17,434,462	\$ 24,738,405
Intangible Assets (Net of Amortization)	480,771	498,149
Capital Assets (Net of Accumulated Depreciation)	34,785,450	16,347,904
Deferred Outflows of Resources	2,870,240	921,002
Total Assets and Deferred Outflows of Resources	55,570,923	42,505,460
<b>Liabilities and Deferred Inflows:</b>		
Current Liabilities	2,659,912	1,381,050
Long-Term Liabilities	50,434,266	38,173,723
Deferred Inflows of Resources	425,655	308,846
Total Liabilities and Deferred Inflows of Resources	53,519,833	39,863,619
<b>Net Positions:</b>		
Net Investment in Capital Assets	(1,340,702)	(10,785,182)
Restricted	12,326,321	20,664,087
Unrestricted (Deficit)	(8,934,529)	(7,237,064)
Total Net Position	\$ 2,051,090	\$ 2,641,841

Table II shows the changes in net position for the fiscal years ended June 30, 2016 and 2015.

**Table II**  
**Changes in Net Position**  
Years Ended June 30,

	2016	2015
<b>Revenues:</b>		
<u>Program Revenues:</u>		
Charges for services	\$ 281,455	\$ 333,657
Operating grants and contributions	1,547,217	1,515,127
<u>General Revenues:</u>		
Property taxes	4,393,207	4,203,940
State Aid - unrestricted	10,924,630	10,757,478
Interest earnings and miscellaneous revenue	336,707	74,232
Total revenues	17,483,216	16,884,434
<b>Expenses:</b>		
Regular Instruction	9,631,073	5,842,655
Special Instruction	2,168,141	2,309,962
Vocational Education	336,739	345,438
Pupil Services	248,528	262,951
General Administration Services	1,221,877	1,124,977
School Administration Services	239,994	232,450
Other Support Services	482,404	728,077
Operation and Maintenance	1,393,710	1,430,024
Pupil Transportation	561,485	562,538
Student Activities	638,498	582,408
School Food Services	661,507	650,030
Interest and Other Charges	490,011	306,254
Total expenses	18,073,967	14,377,764
Net change in Net Position	\$ (590,751)	\$ 2,506,670

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Management Discussion and Analysis – Continued**

Unrestricted state aid constituted 63.4%, property taxes 25.5%, operating grants and contributions 9.0%, and charges for services made up 1.6% of the total revenues of governmental activities of the School District for fiscal year 2015-2016.

Regular instruction constituted 53.3%, special education 12.0%, operation & maintenance 7.7%, and general administration constituted 6.8% of total expenditures for governmental activities during fiscal year 2015-2016.

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

**Table III**  
**Total and Net Cost of Services**  
For the Years Ended June 30, 2016 and 2015

	Total Cost		Net Cost (Revenue)	
	2016	2015	2016	2015
Regular instruction	\$ 9,631,073	\$ 5,842,655	\$ 9,104,818	\$ 5,208,716
Special education	2,168,141	2,309,962	1,745,392	1,895,681
Vocational education	336,739	345,438	336,739	345,438
School administration	248,528	262,951	248,528	232,450
General administration	1,221,877	1,124,977	1,221,877	1,124,977
Operations and maintenance	239,994	232,450	239,994	1,430,024
Other support services	482,404	728,077	482,404	728,077
School food services	1,393,710	1,430,024	1,393,710	66,543
Pupil services	561,485	562,538	312,715	262,951
Pupil transportation	638,498	582,408	638,498	345,461
Student activities	661,507	650,030	30,609	582,408
Interest and other charges	490,011	306,254	490,011	306,254
<b>Total expenses</b>	<b>\$ 18,073,967</b>	<b>\$ 14,377,764</b>	<b>\$ 16,245,295</b>	<b>\$ 12,528,980</b>

**FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS**

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

The School District’s governmental funds had total revenues of \$17,299,573 and expenditures of \$35,782,559 for the year ended June 30, 2016. As of June 30, 2016, the unassigned fund balance of the School District’s general fund was \$3,003,863.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

During the year, revenues were less than budgetary estimates by \$139,079, expenditures were less than budgetary estimates by \$331,465, and ending fund balance was less than budgetary estimates by \$192,386.

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

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Management Discussion and Analysis – Continued**

**CAPITAL ASSETS**

As of June 30, 2016, the Wahpeton Public School District No. 37 had \$34,785,450 invested in capital assets. Table IV shows the balances as of June 30, 2016 and 2015.

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

	2016	2015
Land	\$ 154,000	\$ 154,000
Construction in Progress	20,924,275	7,374,934
Buildings	13,152,542	5,843,794
Vehicles and Equipment	554,633	306,676
Total capital assets (Net of accumulated depreciation)	\$ 34,785,450	\$ 13,679,404

This total represents a net increase of \$21,106,046 in capital assets from July 1, 2015. For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 12 of the audited financial statements that follow this analysis.

**DEBT ADMINISTRATION**

As of June 30, 2016, the Wahpeton Public School District No. 37 had \$27,702,143 outstanding general obligation debt, an increase of \$8,518,237 over the prior fiscal year.

**Table V**  
**Outstanding General Obligation Debt**  
 June 30,

	Total Outstanding		Due within one year	
	2016	2015	2016	2015
\$20,000,000 construction bonds	\$ 17,247,741	\$ 18,174,304	\$ 935,829	\$ 926,563
\$880,000 general obligation bonds	715,000	795,000	85,000	80,000
\$400,000 construction bonds	44,402	87,763	44,402	43,361
\$9,695,000 general obligation bonds	9,695,000	-	285,000	-
\$510,000 general obligation bonds	-	126,839	-	126,838
Total outstanding debt	\$ 27,702,143	\$ 19,183,906	\$ 1,350,231	\$ 1,176,762

For additional information regarding the outstanding general obligation debt, readers are referred to Note 16 of the audited financial statements that follow this analysis.

**FOR THE FUTURE**

The Wahpeton Public School District No. 37 has shown even student enrollment in recent years. The following table reflects the fall enrollment for the 2015-2016 and the preceding four years.

	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Enrollment	1,243	1,243	1,237	1,239	1,227

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

On October 1, 2013, the District successfully passed a \$30 million-dollar bond referendum by 88%. The District also successfully passed by 84% raising the debt limit from 5% to 10%. This will allow the District to secure funding for the projects, which includes: \$20 million from the State of North Dakota at 1% and approximately \$10 million through a bond issuance. Remaining dollars from New Market Tax Credits (on the High School property) will also be used to fund the project. The project voted on has allowed the District to add elementary school (grades 1-5) onto the current Middle School and renovate the Middle School and High Schools. As of June 30, 2016, the High School was currently finishing up Phase II of their renovations and additions. The new elementary school ground broke in the fall of 2014 with a June 2016 completion timeline.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**STATEMENT OF NET POSITION**  
**June 30, 2016**

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Cash - Checking	\$ 5,912,811
Cash - Savings and Certificates of Deposit	4,639,682
Restricted Cash	262,271
Accounts Receivable	5,852
Due from County	189,672
Due from State Government	35,569
Due from Federal Government	102,545
Inventory	8,831
Notes Receivable	6,121,800
Taxes Receivable	155,429
Intangible Assets, Net of Amortization	480,771
Capital Assets (Not Being Depreciated):	
Land	154,000
Construction in Progress	20,924,275
Capital Assets (Being Depreciated):	
Buildings	18,977,581
Vehicles and Equipment	1,442,165
Less Accumulated Depreciation	<u>(6,712,571)</u>
Total Capital Assets	<u>34,785,450</u>
Total Assets	\$ 52,700,683
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Outflow Related to Pensions	<u>2,870,240</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u><u>\$ 55,570,923</u></u></b>

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Statement of Net Position – Continued**

	<u>Governmental Activities</u>
<b>LIABILITIES:</b>	
Accounts Payable	\$ 982,182
Salaries and Benefits Payables	4,086
Accrued Management Fee	17,500
Interest Payable	206,131
Current Portion Long-Term Debt:	
General Obligation Bonds Payable	1,350,231
Notes Payable	15,116
Early Retirement Payable	72,000
Bond Premium - Unamortized	12,666
Due After One Year:	
General Obligation Bonds Payable	26,351,912
Notes Payable	8,889,664
Bond Premium - Unamortized	227,980
Net Pension Liability	<u>14,964,710</u>
Total Liabilities	\$ 53,094,178
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Deferred Inflow Related to Pensions	<u>425,655</u>
Total Liabilities and Deferred Inflows of Resources	\$ 53,519,833
<b>NET POSITION:</b>	
Net Investment in Capital Assets	(1,340,702)
Restricted for:	
Capital Projects	9,409,919
Debt Services	2,523,315
Special Purposes	393,087
Unrestricted (Deficit)	<u>(8,934,529)</u>
Total Net Position	<u><u>\$ 2,051,090</u></u>

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2016**

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
<b>Governmental Activities:</b>				
Regular Instruction	\$ 9,631,073	\$ 18,964	\$ 507,291	\$ (9,104,818)
Special Instruction	2,168,141	-	422,749	(1,745,392)
Vocational Education	336,739	-	-	(336,739)
Pupil Services	248,528	-	-	(248,528)
General Administration Services	1,221,877	-	-	(1,221,877)
School Administration Services	239,994	-	-	(239,994)
Other Support Services	482,404	-	-	(482,404)
Operation and Maintenance	1,393,710	-	-	(1,393,710)
Pupil Transportation	561,485	-	248,770	(312,715)
Student Activities	638,498	-	-	(638,498)
School Food Services	661,507	262,491	368,407	(30,609)
Interest and Other Charges	490,011	-	-	(490,011)
<b>Total Governmental Activities</b>	<b>\$ 18,073,967</b>	<b>\$ 281,455</b>	<b>\$ 1,547,217</b>	<b>\$ (16,245,295)</b>
<b>General Revenues:</b>				
<b>Taxes:</b>				
				\$ 2,072,937
				1,999,171
				321,099
				10,924,630
				15,866
				320,841
				<u>\$ 15,654,544</u>
				Change in Net Position (590,751)
				Net Position (Deficit) - Beginning of Year, as previously reported 2,321,628
				Prior Period Adjustment 320,213
				<u>Total Net Position, Beginning of Year, Restated 2,641,841</u>
				<u>Net Position (Deficit) - End of Year \$ 2,051,090</u>

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**June 30, 2016**

	Major Funds					
	General	Capital Projects HS Reno /Elem	Special Revenue School Improve Corp	Debt Service HS Reno Elementary	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>						
Cash - Checking	\$ 1,888,338	\$ 186,022	\$ 72,016	\$ 2,279,471	\$ 885,332	\$ 5,311,179
Cash - Savings and Certificates of Deposit	1,008,381	3,631,301	-	-	-	4,639,682
Restricted Cash	-	-	262,271	-	-	262,271
Accounts Receivable	2,771	-	-	-	3,081	5,852
Due from County	88,514	-	-	82,898	18,260	189,672
Due from State Government	35,569	-	-	-	-	35,569
Due from Federal Government	102,545	-	-	-	-	102,545
Due from Other Funds	-	-	-	-	30,576	30,576
Inventory	-	-	-	-	8,831	8,831
Notes Receivable	-	6,121,800	-	-	-	6,121,800
Taxes Receivable	72,112	-	-	68,541	14,776	155,429
<b>Total Assets</b>	<b>\$ 3,198,230</b>	<b>\$ 9,939,123</b>	<b>\$ 334,287</b>	<b>\$ 2,430,910</b>	<b>\$ 960,856</b>	<b>\$ 16,863,406</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
Accounts Payable	\$ -	\$ 962,172	\$ -	\$ -	\$ -	\$ 962,172
Salaries and Benefits Payables	4,086	-	-	-	-	4,086
Due to Other Funds	-	-	-	-	30,576	30,576
<b>Total Liabilities</b>	<b>\$ 4,086</b>	<b>\$ 962,172</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 30,576</b>	<b>\$ 996,834</b>
<b>Deferred Inflows of Resources:</b>						
Deferred Revenue	72,112	-	-	68,541	14,776	155,429
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 76,198</b>	<b>\$ 962,172</b>	<b>\$ -</b>	<b>\$ 68,541</b>	<b>\$ 45,352</b>	<b>\$ 1,152,263</b>
<b>Fund Balances:</b>						
<b>Nonspendable for:</b>						
Inventory	-	-	-	-	8,831	8,831
Long-term Receivables	-	6,121,800	-	-	-	6,121,800
<b>Restricted for:</b>						
Debt Service	-	-	-	2,362,369	361,027	2,723,396
Capital Projects	-	-	-	-	310,137	310,137
High School Tuition	118,169	-	-	-	-	118,169
<b>Committed to:</b>						
Capital Projects	-	2,855,151	334,287	-	-	3,189,438
<b>Assigned to:</b>						
Special Reserve	-	-	-	-	153,573	153,573
Food Service	-	-	-	-	112,512	112,512
<b>Unassigned to:</b>						
Debt Service	-	-	-	-	(30,576)	(30,576)
General Fund	3,003,863	-	-	-	-	3,003,863
<b>Total Fund Balances (Deficit)</b>	<b>\$ 3,122,032</b>	<b>\$ 8,976,951</b>	<b>\$ 334,287</b>	<b>\$ 2,362,369</b>	<b>\$ 915,504</b>	<b>\$ 15,711,143</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 3,198,230</b>	<b>\$ 9,939,123</b>	<b>\$ 334,287</b>	<b>\$ 2,430,910</b>	<b>\$ 960,856</b>	<b>\$ 16,863,406</b>



**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2016**

Total Fund Balances - Governmental Fund \$ 15,711,143

The net position reported for governmental activities in the statement of net position is different because:

1) Capital assets, intangible assets, and construction in progress used in governmental activities are not financial resources and therefore not reported in the funds. 41,978,792

2) Accumulated depreciation has not been included in the governmental fund financial statements. (6,712,571)

3) Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenue in the funds. 155,429

4) Management fee is not accrued in the governmental funds, but rather recognized as an expenditure when due. (17,500)

5) Bond premium is not accrued in the governmental funds, but rather recognized as an expenditure when occurred. (240,646)

6) Long-term liabilities applicable to the School District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the statement of net assets. Balances at June 30, 2016 are made up of the following liabilities:

Interest Payable	\$ (206,131)	
General Obligation Bonds Payable	(27,461,497)	
Notes Payable	(8,904,780)	
Unamortized Bond Premium	(240,646)	
Net Pension Liability	(12,520,125)	
Early Retirement Payable	<u>(72,000)</u>	
		(49,405,179)

7) Internal service funds are used by the school to charge the costs of health insurance to departments. The assets and liabilities of internal service funds are included in the governmental activities in the statement of net position. 581,622

Net Position of Governmental Activities \$ 2,051,090

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**STATEMENT OF REVENUES, EXPEDITURES, AND CHANGES**  
**IN FUND BALANCE – GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2016**

	Major Funds					
	General	Capital Projects HS Reno/Elem	Special Revenue School Improve Corp	Debt Service HS Reno Elementary	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Local Sources	\$ 2,091,565	\$ -	\$ 87,900	\$ 1,895,381	\$ 677,581	\$ 4,752,427
State Sources	11,173,401	-	-	-	9,402	11,182,803
Federal Sources	930,040	-	-	-	359,005	1,289,045
Interest Income	754	11,251	451	3,108	302	15,866
Miscellaneous	59,432	-	-	-	-	59,432
<b>Total Revenues</b>	<b>\$ 14,255,192</b>	<b>\$ 11,251</b>	<b>\$ 88,351</b>	<b>\$ 1,898,489</b>	<b>\$ 1,046,290</b>	<b>\$ 17,299,573</b>
<b>EXPENDITURES</b>						
Current:						
Regular Instruction	7,362,532	-	-	-	-	7,362,532
Special Instruction	2,156,713	-	-	-	-	2,156,713
Vocational Education	335,931	-	-	-	-	335,931
Pupil Services	248,528	-	-	-	-	248,528
General Administration Services	1,216,837	-	-	-	-	1,216,837
School Administration Services	239,994	-	-	-	-	239,994
Other Support Services	482,404	-	-	-	-	482,404
Operation and Maintenance	1,110,029	87,900	60,837	-	188,207	1,446,973
Pupil Transportation	682,931	-	-	-	-	682,931
Student Activities	595,873	-	-	-	-	595,873
School Food Services	-	-	-	-	657,329	657,329
Debt Services:						
Principal	-	-	-	926,563	269,331	1,195,894
Interest and Other Charges	-	-	78,843	248,495	20,686	348,024
Special Assessments	-	-	-	-	54,436	54,436
Capital Outlay:						
Facilities Acquisition and Construction	-	18,730,816	27,344	-	-	18,758,160
<b>Total Expenditures</b>	<b>\$ 14,431,772</b>	<b>\$ 18,818,716</b>	<b>\$ 167,024</b>	<b>\$ 1,175,058</b>	<b>\$ 1,189,989</b>	<b>\$ 35,782,559</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (176,580)	\$ (18,807,465)	\$ (78,673)	\$ 723,431	\$ (143,699)	\$ (18,482,986)
<b>OTHER FINANCING SOURCES (USES):</b>						
Bond Proceeds	-	9,695,000	-	-	-	9,695,000
Bond Premium	-	253,312	-	-	-	253,312
Operating Transfer Out	-	-	-	-	(4,655)	(4,655)
Operating Transfer In	-	-	-	-	4,655	4,655
<b>Total Other Financing Sources and Uses</b>	<b>\$ -</b>	<b>\$ 9,948,312</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,948,312</b>
<b>Net Change in Fund Balance</b>	<b>\$ (176,580)</b>	<b>\$ (8,859,153)</b>	<b>\$ (78,673)</b>	<b>\$ 723,431</b>	<b>\$ (143,699)</b>	<b>\$ (8,534,674)</b>
Fund Balance, Beginning of Year	3,298,612	17,836,104	412,960	1,638,938	1,059,203	24,245,817
<b>Fund Balance, End of Year</b>	<b>\$ 3,122,032</b>	<b>\$ 8,976,951</b>	<b>\$ 334,287</b>	<b>\$ 2,362,369</b>	<b>\$ 915,504</b>	<b>\$ 15,711,143</b>

See Accompanying Notes to Financial Statements

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPEDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2016**

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Total Net Change in Fund Balances - Governmental Funds \$ (8,534,674)

The change in net position reported for governmental activities in the statement of activities is different because:

- 1) Current year outlays are expenditures in the governmental fund financial statements, but they are shown as increases in capital assets in the governmental-wide financial statements. 18,948,130
- 2) Current year long-term debt principal payments reported as expenditures in the governmental fund financial statements are shown as reductions in debt in the statement of net assets. 1,195,894
- 3) Some expenses were accrued and reported in the statement of activities in different years. This consists of the change in accrued interest, management fee and pension liability. (2,008,039)
- 4) Depreciation/amortization is not recognized as an expense in governmental funds since it does not require the use of current financial assets. The effect of the current year's depreciation/amortization is to decrease net assets. (515,296)
- 5) Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net assets. (9,948,312)
- 6) Some revenues reported on the statement of activities are reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the increases in taxes receivable. 10,137
- 7) Internal service funds are used by the school to charge the costs of health insurance to departments. The net revenue of activities of the internal service fund is reported with governmental activities. 261,409

Change in Net Position - Governmental Activities \$ (590,751)

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**STATEMENT OF NET POSITION – PROPRIETARY FUND**  
**June 30, 2016**

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	<u>Internal Service Fund</u>
<b>ASSETS:</b>	
Cash - Checking Account	\$ 601,632
<b>LIABILITIES:</b>	
Accounts Payable	<u>20,010</u>
<b>NET POSITION:</b>	
Unrestricted	<u><u>\$ 581,622</u></u>

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND**  
**NET POSITION – PROPRIETARY FUND**  
**For the Year Ended June 30, 2016**

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	<u>Internal Service Fund</u>
OPERATING REVENUES:	
Contribution to Self-Insurance	\$ 1,807,881
OPERATING EXPENSES:	
Claims Expense	1,457,605
Administrative Fees and Other	<u>88,895</u>
Total operating expenses	<u>\$ 1,546,500</u>
Operating Income	\$ 261,381
NONOPERATING INCOME:	
Interest	<u>28</u>
Change in Net Position	\$ 261,409
Net Position, Beginning of Year	<u>320,213</u>
Net Position, End of Year	<u><u>\$ 581,622</u></u>

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**STATEMENT OF CASH FLOWS – PROPRIETARY FUND**  
**For the Year Ended June 30, 2016**

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	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Received From User Charges	\$ 1,807,881
Payments for Health Insurance Claims	<u>(1,547,059)</u>
Net Cash Provided by Operating Activities	<u>\$ 260,822</u>
CASH FLOW FROM INVESTING ACTIVITIES;	
Interest	<u>29</u>
Net Increase in Cash and Cash Equivalents	\$ 260,851
Cash and Cash Equivalents, Beginning of Year	<u>340,781</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 601,632</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	261,381
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Decrease in Accounts Payable	<u>(559)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 260,822</u></u>

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – FIDUCIARY FUND**  
**For the Year Ended June 30, 2016**

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	<u>Agency Fund</u>
<b>ASSETS:</b>	
Cash - Checking Account	\$ 286,084
Cash - Savings and Certificate of Deposit	<u>19,946</u>
Total Assets	<u><u>\$ 306,030</u></u>
<b>LIABILITIES:</b>	
Due to Student Groups	<u><u>\$ 306,027</u></u>

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**NOTES TO THE FINANCIAL STATEMENT**  
**For the Year Ended June 30, 2016**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

*A. Reporting Entity*

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

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

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

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

Complete financial statements of the blended component unit may be obtained from the Business Manager, Wahpeton Public School District No. 37, 1021 11<sup>th</sup> Street North, Wahpeton, North Dakota 58075.

*B. Basis of Presentation, Basis of Accounting*

*Government-wide statements* – The Statement of Net Position and the Statement of Activities display information about the primary government (Wahpeton Public School District No. 37.) These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, fees and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and unrestricted state grants operating contributions, are presented as general revenues.



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

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*Fund Financial Statements* – The fund financial statements provide information about the School District’s funds including its fiduciary funds. Separate statements for each fund category – *governmental*, *proprietary* and *fiduciary* are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The School District reports the following major governmental funds:

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

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

*Special Revenue Fund* – This fund consists of the Wahpeton School Improvement Corporation which is a blended component unit.

*Debt Service Fund* – This fund consists used to account for resources accumulated for principal and interest payments on long-term debt.

The School District also reports the following fund types:

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

*Agency Funds* – These fund accounts for assets by the School District in a custodial capacity as an agent on behalf of others. The School District’s agency funds are used to account for various deposits of the student activity funds.

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

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

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

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

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

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

D. Deposits and Investments

Cash includes amounts in demand deposits and money market accounts. Cash equivalents on the statement of cash flows consist of certificates of deposit with a maturity of 3 months or more. Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the uninsured balance.

Investments consist of certificates of deposits stated at cost.

Restricted cash is not considered cash and cash equivalents, and includes cash held with financial institutions for operating, asset management fees, loan interest, audit and tax, and construction disbursement.

E. Inventories

Supplies are purchased before year-end for the next year. This inventory is valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

F. Capital Assets

Capital assets include property, plant and equipment. Assets are reported in the governmental activities column in the governmental-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed.

Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

Asset	Useful Life
Building	20 – 75
Playground Equipment	20
School Buses	15 – 20
Other Vehicles	10
Improvements	10 – 40

G. Vacation Pay, Sick Pay and Severance Pay

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

H. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the straight-line method. If amounts are not material, they are recognized in the current period.

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

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

I. Fund Balances/Net Position

GASB Statement No. 54 established new fund balance classification that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds.

<b>CLASSIFICATION</b>	<b>DEFENITION</b>	<b>EXAMPLES</b>
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables, endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either: (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constrains imposed by formal action of the government’s highest level of decision making authority, the School District Board of Directors. Formal action is required to establish, modify, or take a fund balance commitment.	By Board action, construction, claims and judgements, retirements of loans and notes payable, capital expenditures and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government’s intent to be used for specific purposes, but are under the direction of the business manager.	By business manager action, construction, claims and judgements, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance. (b) A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.	Available for any remaining general fund expenditure.

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

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

**GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions**

GASB Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions” provides more clearly defined fund balance categories to make the nature and extent of constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints and the purpose for which resources can be used:

**Non-spendable Fund Balances:**

Non-spendable fund balances consist of inventory for the amount of in the special revenue fund and long-term receivable in the capital projects fund.

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

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**Restricted Fund Balances:**

*Debt Service Funds* – (restricted by enabling legislation-levy) Bond payments restricted by bond indenture and specified tax levies reported in the debt service funds – consists of general obligation bonds and state school construction loans payable.

*Building Fund* – (restricted by enabling legislation tax levy and bond indenture) Fund used for construction of building additions and renovation projects – restricted by specified tax levy.

*Tuition Fund* – (restricted by enabling legislation-levy) Fund used for high school tuition – restricted by specific tax levy.

**Committed Fund Balances:**

*Wahpeton School Improvements Corporation Fund Balance* – (blended component unit) Amounts committed by the board for payment of debt service and capital projects.

*Capital Projects High School and Elementary Renovation* – Amounts committed by the board from bond proceeds for High School and Elementary building renovations.

**Assigned Fund Balances:**

*Special Reserve Fund* – Funds used for special uses as restricted by state law. The special reserve is designed to provide cash flow to the School District when general fund reserves are spent. This traditionally happens at the end of December, before the new year's taxes were collected. If the special reserve is not needed for cash flow, there is a provision in the law that allows the School Board to transfer up to ½ of the balance to the general fund to be used for any allowable purpose. In accordance with NDCC 57-10-01, the ending fund balance is limited to the amount generated by fifteen (15) mills times the taxable valuation of the School District.

*Food Service Fund* – Assigned by federal and state reimbursements for free and reduced meals and grants – reported in other governmental funds. Restricted state and federal resources are spent first and reimbursed by each year-end. Any remaining fund balance is normally left in food service fund at each year-end, but may be spent at the direction of the business manager (authority given from the governing board).

**Unassigned Fund Balance:**

Consists of the amount reported in the general fund at year-end and to report the negative fund balance in the Debt Service Special Assessment Fund.

**Net Position:**

Net investment in capital assets is reported for capital assets less accumulated depreciation and any related debt used to construct them. The resources needed to repay this related debt must be provided from other sources, since capital assets are not used to liquidate these liabilities. These assets are not available for future spending.

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

Restrictions of net position, shown in the Statement of Net Position, are due to restricted tax levies and bond indenture capital construction requirements for capital projects and special purposes.

Unrestricted net position is primarily unrestricted amounts related to the general fund and any negative fund balances. The unrestricted net position is available to meet the district's ongoing obligations.

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

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J. Pension Plans

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

K. Interfund Transactions

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

All other interfund transactions, except reimbursements, are reported as transfers.

**NOTE 2 – LEGAL COMPLIANCE – BUDGETS**

*Expenditures Over Appropriations* – The School District expenditures did not exceed appropriations in the General Fund.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

In accordance with North Dakota Statutes, the School District maintains deposits at the depository banks designated by the Governing Board. All depositories are members of the Federal Reserve System.

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

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

At year ended June 30, 2016, the School District's carrying amount of deposits was \$10,213,132 and the bank balances were \$11,721,844. Of the bank balances, \$750,000 was covered by the Federal Depository Insurance. The remaining bank balances were collateralized with securities held by pledging financial institution's agent in the government's name.

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

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*Credit Risk:*

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

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

*Interest Rate Risk:*

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

*Concentration of Credit Risk:*

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

**NOTE 4 – RESTRICTED CASH-COMPONENT UNIT**

As of June 30, 2016, the Wahpeton School Improvement Corporation's restricted cash consist of \$262,271 in the CDE FEE Reserve account.

*Concentration of Credit Risk* – The Wahpeton School Improvement Corporation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Corporation has not experienced any losses in such accounts. The Corporation believes it is not exposed to any significant credit risk on these accounts.

**NOTE 5 – TAXES RECEIVABLE**

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

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

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

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

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

**NOTE 6 – ACCOUNTS RECEIVABLE**

Accounts receivable consists of amounts for accrued interest and amounts on open account from other school districts and organizations for goods and services furnished by the Wahpeton Public School District No. 37. No allowance has been established for uncollectible accounts.

**NOTE 7 – DUE FROM COUNTY**

Due from county represents the amount of taxes collected prior to year-end by Richland County that remains on hand at the county that are distributed to the School District shortly after June 30, 2016.

**NOTE 8 – NOTE RECEIVABLE FROM CHASE NMTC**

As a result of the financing structure used to fund the improvement, expansion, renovation, remodeling and construction of Wahpeton Elementary and High Schools, the District borrowed \$6,121,800 to Chase NMTC Wahpeton Investment Fund, LLL. This arrangement was necessary to facilitate the new market tax credits used to finance part of the construction costs. The promissory note carries an annual interest rate of 1.429%. Accrued interest on the note is payable annually on December 1. The entire outstanding principal balance plus all accrued and unpaid interest is due and payable on the maturity date of the note (December 1, 2039).

An investment fund put and call agreement was entered into on February 28, 2014 relating to this note. On the seventh anniversary date of this note, the District has the right and option to purchase NMTC’s interest in the note receivable.

**NOTE 9 – DUE FROM FEDERAL GOVERNMENT**

The amount due from federal government consists of reimbursement claims for various federal title programs. These claims are passed through the state.

**NOTE 10 – INDIVIDUAL FUND INTERFUND RECEIVABLES and PAYABLE BALANCES**

Such balances at June 30, 2016, were:

Fund	Interfund Receivable	Interfund Payable
Capital Projects - Building	\$ 30,576	\$ -
Debt Service - Special Assessment	-	30,576
	\$ 30,576	\$ 30,576

**NOTE 11 – INTANGIBLE ASSETS**

Intangible assets consist of loan acquisition costs. Loan acquisition costs of \$521,335 are amortized over 30 years, the term of the underlying loans, on a straight-line basis. For year ended June 30, 2016 and the period beginning January 7, 2014 (inception) and ending June 30, 2015, amortization expense was \$17,378 and \$23,816, respectively. Future amortization is expected to be as follows:

Year Ending June 30,	
2017	\$ 17,378
2018	17,378
2019	17,378
2020	17,378
2021	17,378
Thereafter	393,881
Total	\$ 480,771

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

**NOTE 12 – CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended June 30, 2016:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
<b>Governmental Activities:</b>				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$ 154,000	\$ -	\$ -	\$ 154,000
Construction in Progress	7,374,934	13,549,341	-	20,924,275
Total Capital Assets, Not Being Depreciated	\$ 7,528,934	\$ 13,549,341	\$ -	\$ 21,078,275
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	11,216,601	7,760,980	-	18,977,581
Vehicles and Equipment	1,159,884	327,331	45,050	1,442,165
Total Capital Assets, Being Depreciated	\$ 12,376,485	\$ 8,088,311	\$ 45,050	\$ 20,419,746
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	5,372,807	452,232	-	5,825,039
Vehicles and Equipment	853,208	71,977	37,653	887,532
Total Accumulated Depreciation	\$ 6,226,015	\$ 524,209	\$ 37,653	\$ 6,712,571
Total Capital Assets Being Depreciated, Net	\$ 6,150,470	\$ 7,564,102	\$ 7,397	\$ 13,707,175
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 13,679,404</u>	<u>\$ 21,113,443</u>	<u>\$ 7,397</u>	<u>\$ 34,785,450</u>

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

<b>Governmental Activities:</b>	
Regular instruction	\$ 243,863
General administration	5,040
Vocational education	808
Food service	171,718
Student transportation	44,948
Activities	42,625
Special education	11,428
Operation and maintenance	3,779
Total Depreciation Expense - Governmetnal Activities	<u>\$ 524,209</u>

**NOTE 13 – ACCOUNTS PAYABLE**

Accounts payable consists of amounts owed for goods and services received prior to or owed to taxing authorities at June 30, 2016 and chargeable to the appropriations for the year then ended, but paid subsequent to that date.

**NOTE 14 – EARLY RETIREMENT PROGRAM**

The School District has established an early retirement program to provide an opportunity for certain employees who may desire to retire early from the service of the School District, but who may or may not have reached the normal retirement age. Employees who have met the early retirement criteria, as established by the School District, may make an application at any time before March 1 of the calendar year in which the person plans to retire. The School Board will act on early retirement requests no later than April 15, of that same year. The Board's decision will be final.

The amount of early retirement benefit is based on a schedule of years of eligibility. The payment due to the retiree will be paid out over a period not to exceed two installments. The liability as of June 30, 2016 for these benefits was \$72,000.



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

**NOTE 15 – INTEREST PAYABLE**

Interest payable consists of the portion of interest accrued on long-term debt (bonds, specials, and leases) outstanding as of June 30, 2016.

**NOTE 16 – LONG-TERM DEBT**

During the year ended June 30, 2016, the following changes occurred in liabilities reported in long-term liabilities:

A. Primary Government

	Long-term debt payable at July 1, 2015	Debt issued	Debt Retired	Long-term debt payable at June 30, 2016	Due within one year
General obligation bonds	\$ 19,183,905	\$ 9,695,000	\$ (1,176,762)	\$ 27,702,143	\$ 1,350,231
Note payable	133,912	-	(19,132)	114,780	15,116
Bond Premium	-	253,312	(12,666)	240,646	12,666
Net Pension Liability	11,261,517	3,703,193	-	14,964,710	-
Early retirement	72,000	72,000	(72,000)	72,000	72,000
Total	<u>\$ 30,651,334</u>	<u>\$ 13,723,505</u>	<u>\$ (1,280,560)</u>	<u>\$ 43,094,279</u>	<u>\$ 1,450,013</u>

Outstanding debts at June 30, 2016, are comprised of the following:

1. General Obligation Bonds:

- a. General Obligation State School Construction Fund Bonds dated January 22, 2014. From an original issuance of \$20,000,000, at an interest rate of 1.00%, \$17,247,741 remains outstanding. The principal and interest are payable through June 1, 2033.
- b. General Obligation State School Building Bonds dated April 4, 2013. From an original issuance of \$880,000, at rates ranging from .55% to .78%, \$715,000 remains outstanding. The principal and interest are payable through August 1, 2023.
- c. Limited Tax State School Construction Fund Bonds dated June 27, 2007. From an original issuance of \$400,000, at an interest rate of 2.40%, \$44,402 remains outstanding. The principal and interest are payable through June 1, 2017.
- d. General Obligation School Building Bonds, Series 2015 dated November 2, 2015. From an original issuance of \$9,695,000, at rates ranging from 2.00% to 3.00%, \$9,695,000 remains outstanding. The principal and interest are payable through August 1, 2035.

2. Notes Payable:

- a. Contract for deed at an interest rate of 6%, due in quarterly payments of \$6,685 including interest through July 1, 2021.

3. Bond Premium:

- a. Bond premium associated with General Obligation School Building Bonds, Series 2015 dated November 2, 2015. From an original issuance of \$253,212 being amortized through August 1, 2035, \$240,646 remains outstanding.

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

The debt service requirements are shown as follows:

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

<u>Maturity Date</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/1/2017	1.00%	\$ 935,829	\$ 172,477	\$ 1,108,306
6/1/2018	1.00%	945,187	163,119	1,108,306
6/1/2019	1.00%	954,639	153,667	1,108,306
6/1/2020	1.00%	964,185	144,120	1,108,305
6/1/2021	1.00%	973,827	134,479	1,108,306
6/1/2022 to				
6/1/2026	1.00%	5,017,173	524,357	5,541,530
6/1/2027 to				
6/1/2031	1.00%	5,273,099	268,430	5,541,529
6/1/2032 to				
6/1/2033	1.00%	2,183,801	32,811	2,216,612
		<u>\$ 17,247,741</u>	<u>\$ 1,593,460</u>	<u>\$ 18,841,201</u>

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

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

<u>Maturity Date</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
8/1/2016	1.00%	\$ 85,000	\$ 4,429	\$ 89,429
2/1/2017		-	4,110	4,110
8/1/2017	1.00%	90,000	4,110	94,110
2/1/2018		-	3,773	3,773
8/1/2018	1.00%	85,000	3,773	88,773
2/1/2019		-	3,348	3,348
8/1/2019	1.00%	85,000	3,348	88,348
2/1/2020		-	2,923	2,923
8/1/2020	1.40%	90,000	2,923	92,923
2/1/2021		-	2,293	2,293
8/1/2021 to				
11/1/2023	1.75%	280,000	7,280	287,280
		<u>\$ 715,000</u>	<u>\$ 42,306</u>	<u>\$ 757,306</u>

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

**\$400,000 Limited Tax State School Construction Fund Bonds**  
(Dated June 27, 2007, due annually to June 1, 2017)  
(Interest paid annually on June 1<sup>st</sup>)

<u>Maturity Date</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/1/2017	2.40%	\$ 44,402	\$ 1,065	\$ 45,467
		<u>\$ 44,402</u>	<u>\$ 1,065</u>	<u>\$ 45,467</u>

Bonds are not subject to redemption prior to the stated maturity.

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

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

<u>Maturity Date</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
8/1/2016	2.00%	\$ 285,000	\$ 134,600	\$ 419,600
2/1/2017		-	131,750	131,750
8/1/2017	3.00%	385,000	131,750	516,750
2/1/2018		-	125,975	125,975
8/1/2018	3.00%	395,000	125,975	520,975
2/1/2019		-	120,050	120,050
8/1/2019	3.00%	410,000	120,050	530,050
2/1/2020		-	113,900	113,900
8/1/2020	3.00%	420,000	113,900	533,900
2/1/2021		-	107,600	107,600
8/1/2021 to				
2/1/2026	2.00-3.00%	2,275,000	932,638	3,207,638
8/1/2026 to				-
2/1/2031	2.50-3.00%	2,570,000	631,556	3,201,556
8/1/2031 to				-
8/1/2035	3.00-3.25%	2,955,000	233,906	3,188,906
		<u>\$ 9,695,000</u>	<u>\$ 3,023,650</u>	<u>\$ 12,718,650</u>

Bonds maturing on August 1, 2024 and thereafter are subject to optional redemption on August 1, 2023 and any date thereafter at a price of par plus accrued interest to the redemption date.

**Bus Building Loan**

(Dated July 1, 2011, due quarterly payments thru July 1, 2021)

<u>Maturity Date</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/30/2017	6.00%	\$ 15,116	\$ 4,941	\$ 20,056
6/30/2018	6.00%	21,234	5,508	26,742
6/30/2019	6.00%	22,537	4,205	26,742
6/30/2020	6.00%	23,920	2,822	26,742
6/30/2021	6.00%	25,387	1,354	26,742
6/30/2022	6.00%	6,587	99	6,685
		<u>\$ 114,780</u>	<u>\$ 18,929</u>	<u>\$ 133,708</u>

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

**9,695,000 General Obligation School Building Bonds, Series 2015 Bond Premium**

<u>Year Endig June 30,</u>	<u>Bond Premium</u>
2017	\$ 12,666
2018	12,666
2019	12,666
2020	12,666
2021	12,666
Therafter	177,316
Totals	<u>\$ 240,646</u>

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

B. Component Unit:

	Long-term debt payable at July 1, 2015	Debt issued	Debt Retired	Long-term debt payable at June 30, 2016	Due within one year
Notes Payable	<u>\$ 8,790,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,790,000</u>	<u>\$ -</u>

Note A1 – 1% note payable with accrued interest due annually on December 5, 2014 through December 5, 2021. Commencing on December 5, 2022 and annually thereafter payments of interest in the amount of \$242,183 until the maturity date. The Maturity date is the earlier of December 1, 2043 or earlier as determined by the loan documents. The borrower may not prepay the note prior to the seventh anniversary of the note date.

\$ 4,761,400

Note B1 – 1% note payable with accrued interest due annually on December 5, 2014 through December 5, 2021. Commencing on December 5, 2022 and annually thereafter payments of principal and interest in the amount of \$103,182 until the maturity date. The maturity date is the earlier of December 1, 2043 or earlier as determined by the loan documents. The borrower may not prepay the note prior to the seventh anniversary of the note date.

2,028,600

Note A2 – 1% note payable with accrued interest due annually on December 5, 2014 through December 5, 2021. Commencing on December 5, 2022 and annually thereafter payments of principal and interest in the amount of \$69,195 until the maturity date. The maturity date is the earlier of December 1, 2043 or earlier as determined by the loan documents. The borrower may not prepay the note prior to the seventh anniversary of the note date.

1,360,400

Note B2 – 1% note payable with accrued interest due annually on December 5, 2014 through December 5, 2021. Commencing on December 5, 2022 and annually thereafter payments of principal and interest in the amount of \$32,532 until the maturity date. The maturity date is the earlier of December 1, 2043 or earlier as determined by the loan documents. The borrower may not prepay the note prior to the seventh anniversary of the note date.

639,600

\$ 8,790,000

Annual minimum principal payments on the notes payable are as follows:

Year Ending June 30,	<u>Principal</u>
2017	\$ -
2018	-
2019	-
2020	-
2021	-
Thereafter	<u>8,790,000</u>
Total	<u>\$ 8,790,000</u>

**NOTE 17 – DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources in the fund financial statements consist of amounts for which asset recognition criteria have been met. Under the modified accrual basis of accounting, such amounts are measurable but not available and include taxes receivable of \$155,429. Deferred inflows of resources on the statement of net position consist of unearned revenue related to pension expense of \$425,655.

**NOTE 18 – DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows of resources in the fund financial statements consist of amounts for which liability recognition criteria have been met, but for which expense recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. Deferred outflows of resources on the statement of net position consist of related pension expense of \$2,870,240.

**NOTE 19 – RISK MANAGEMENT**

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The School District pays an annual premium to NDIRF for its general liability, auto and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and auto coverage and \$222,550 for public asset coverage.

The School District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The School 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 third party insurance carrier for losses in excess of \$2,000,000 per occurrence during a twelve-month period. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$1,700,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The School District participates in the North Dakota Workforce Safety and Insurance and purchases commercial insurance for employee health, boiler and machinery insurance.

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

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. During the year ended June 30, 2016, no claims for unemployment benefits.

The School District has also established a self-funded employee welfare benefit plan. A service contract has been entered into for the year ending June 30, 2016, with a company to provide administrative services and stop-loss insurance coverage. Stop-loss coverages are based on claims incurred during the contract period and paid during or after the same 12-month period. The individual stop-loss maximum is \$30,000 per member per year and the aggregate stop-loss maximum is 120% of expected claims.

The basis for estimating unpaid claims at year end is to view claims filed with the service company after year-end. Reconciliation in the change of accrued claims liability is as follows:

Balance July 1, 2015	\$	20,568
Incurred Claims		1,545,942
Payment on Claims		<u>(1,546,500)</u>
Balance June 30, 2016	\$	<u>20,010</u>

**NOTE 20 – PENSION PLANS**

**General Information about the TFFR Pension Plan**

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 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 the purpose 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 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 equals 85. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

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

*Tier 1 Non-grandfathered* – A tier I 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.

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 plant the member selected at retirement.

An active member is eligible to receive disability benefits when: (a) a total disability lasting 12 months or more does not allow the continuation of teaching, (b) the member has accumulated five years of credited service in North Dakota, and (c) the Board of Trustees of TFFR has determined eligibility based upon medical evidence. The amount of the disability benefit is computed by the retirement formula in NDCC Section 15-39.1-10 without consideration for 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 percent 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 percent each when the fund teaches 100 percent 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 70 ½. 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, 2016, Wahpeton Public School District reported a liability of \$13,922,942 for its proportionate share of the net pension liability. The net pension liability was measured as of 11/23/2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District’s proportion of the net pension liability was based on the School District’s share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employees. At 11/23/2015 the School District’s proportion was 1.06456% which was a decrease of 0.68298% from its proportion measured as of 4/10/2015.

For the year ended June 30, 2016, the School District recognized pension expenses of \$906,738. At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 91,237	\$ -
Changes in assumptions	1,563,308	-
Net difference between projected and actual earnings on pension plan investments	-	157,001
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	101,227
Employer contributions subsequent to the measurement date	854,530	-
	<u>                    </u>	<u>                    </u>
Total	<u>\$ 2,509,075</u>	<u>\$ 258,228</u>

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

\$854,530 reported as deferred outflows of resources related to pensions resulting from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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,	
2016	\$142,805
2017	142,805
2018	142,805
2019	454,606
2020	261,256
Thereafter	247,039

**Actuarial assumptions.** The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in measurement:

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

For active and inactive members, mortality rates were based on the RP-2014 Employee Mortality Table, projected generationally using Scale MP-2014. For healthy retirees, mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table set back one year, multiplied by 50% for ages under 75 and grading up to 100% by age 80, projected generationally using Scale MP-2014. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table set forward four years.

The actuarial assumptions used were based on the results of an actuarial experience study dates April 30, 2015. They are the same as the assumptions used in the July 1, 2015, funding actuarial valuation for TFFR.

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

- Investment return assumption lowered from 8.00% to 7.75%.
- Inflation assumption lowered from 3.00% to 2.75%.
- Total salary scales rates lowered by 0.25% due to lower inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	57%	7.5%
Global Fixed Income	22%	1.3%
Global Real Assets	20%	5.4%
Cash Equivalents	1%	0.0%



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

**Discount Rate.** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2015, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015. The discount rate used to measure the total pension liability changed from 8% to 7.75% based on the investment return assumption change as a result of the April 30, 2015 actuarial experience study.

**Sensitivity of the School District’s proportionate share of the net pension liability to changes in the discount rate.** The following present the School District’s proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District’s Proportionate Share of the Net Pension Liability	\$18,399,827	\$13,922,942	\$10,189,315

**Pension plan fiduciary net position**

Detailed information is located in the North Dakota Retirement and Investments Office’s Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. Additional financial and actuarial information is available on their website, [www.nd.gov/rio](http://www.nd.gov/rio), or may be obtained by writing to RIO at ND Retirement and Investment Office, 1930 Burnt Boat Drive, PO Box 7100, Bismarck, North Dakota, 58507-7100 or by calling (701) 328-9885.

**General Information about the NDPERS Pension Plan**

**North Dakota Public Employee’s Retirement System**

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

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven 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; and one member elected by the retired public employees. Effective July 1, 2015, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

**Pension Benefits**

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

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

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

**Death and Disability Benefits**

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

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

**Refunds of Member Account Balance**

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

**Member and Employer Contributions**

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and ages. Member contribution rates are 7.00% and employer contribution rates 7.12% of covered compensation.

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

1 to 12 months of service	Greater of one percent of monthly salary or \$25
13 to 25 months of service	Greater of two percent of monthly salary or \$25
26 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, 2016, the District reported a liability of \$1,041,768 for its proportionate share of the net pension liability. The net pension liability was measured as of May 4, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School Board's proportion of the net pension liability was based on the School Board'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, 2016, the School District's proportion was 0.153205%.

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

For the year ended June 30, 2016, the Wahpeton Public School District No. 37 recognized pension expense of \$102,686. At June 30, 2016, the School Board 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 experience	\$ -	\$ 30,223
Changes in assumptions	92,817	-
Net difference between projected and actual earnings on pension plan investments	142,366	120,374
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	16,830
Employer contributions subsequent to the measurement date	<u>125,892</u>	<u>-</u>
Total	<u>\$ 361,165</u>	<u>\$ 167,427</u>

\$125,982 reported as deferred outflows of resources related to pensions resulting from School Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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,	
2016	\$ (24,828)
2017	(24,828)
2018	(24,828)
2019	20,615
2020	(13,881)
Thereafter	-

**Actuarial assumptions.** The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	4.50% per annum
Investment rate of return	8.00%, net of investment expense
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2015, funding actuarial valuation for NDPERS.

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scales, and percent married assumption.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.52%
International Fixed Income	5%	0.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

**Discount rate.** The discount rate used to measure the total pension liability was 8 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2015, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

**Sensitivity of the School Board’s proportionate share of the net pension liability to changes in the discount rate.** The following presents the School board’s proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the School Board’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
School District’s Proportionate Share of the Net Pension Liability	\$1,597,499	\$1,041,768	\$587,079

**Pension plan fiduciary net position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued NDPERS financial report. It is located in the North Dakota Public Employees Retirement System Comprehensive Annual Financial report for the fiscal year ended June 30, 2015. The supporting actuarial information is included in the June 30, 2015, GASB Statements No. 67 and 68 Accounting and Financial Reporting for Pensions actuarial valuation for each retirement plan. Additional financial and actuarial information is available on their website, [www.nd.gov/ndpers](http://www.nd.gov/ndpers), or may be obtained by contacting the agency at North Dakota Public Employees Retirement System, 400 E Broadway Ave Suite 505, P.O. Box 1657, Bismarck, ND, 58502-1657 or by calling (701) 328-3900.

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

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**NOTE 21 – TRANSFERS**

	<u>Transfer In</u>	<u>Transfer Out</u>
Debt Service	\$ 4,655	\$ 4,655
Total	<u>\$ 4,655</u>	<u>\$ 4,655</u>

Transfer from Debt Service to Debt Service to close out a debt fund.

**NOTE 22 – MANAGMENET FEE**

*Asset Management Fee-Component Unit* – Pursuant to the second amended and restated engagement agreement between the District and Dakotas America, LLC (“DA”), the corporation is required to pay DA an annual asset management fee of 0.5% of the qualified equity investment made in Dakota XV. As of June 30, 2016, accrued asset management fees were \$17,500.

**NOTE 23 – JOINT VENTURE**

The School District participates in the following joint venture:

*Southeast Region Career and Technology Center* – Formed for the purpose of providing vocational services to the member school districts.

The Co-op’s governing board is composed of ten representatives from the member school districts, who are School Board members. The Board is responsible for adopting the Co-op’s budget and setting service fees at a level adequate to fund the adopted budget.

The School District retains no equity in the net assets of the Co-op, but does have a responsibility to fund deficits of the Co-op in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from Southeast Region Career and Technology Center.

**NOTE 24 – COMMITTED CONTRACTS**

As of June 30, 2016, the Wahpeton School District had construction commitments of approximately \$3,706,559 on the high school and elementary building.

**NOTE 25 – RELATED PARTY ARRANGEMENTS**

As a condition of the financing arrangement used by the District and its component unit, the Wahpeton School Improvement Corporation, relating to the improvement, expansion, renovation, remodeling and reconstruction of two educational facilities (Project), the following lease arrangements were entered into during the year ended June 30, 2016:

- A. *Ground Lease* – On February 28, 2014 the District entered into a ground lease agreement with the Corporation for the Project, pursuant to which the District leased the Project to the Corporation. Pursuant to the ground lease, the Corporation agreed to pay the District rent in the amount of \$2,668,500. The amount was paid in a lump sum on February 28, 2014. The term of the ground lease is sixty-five years from February 28, 2014 through December 1, 2079. The Corporation accounts for the lease as a capital lease.

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

B. *Sublease* – On February 28, 2014 the District entered into a lease agreement (the “sublease”) with the Corporation for the Project, pursuant to which the Corporation subleased the Project to the District. Pursuant to the lease, the District pays annual base rent in varying amounts to the Corporation in arrears on the first day of December of each calendar year. The terms of this lease shall commence on the date of its execution and shall continue for the original term ending December 1, 2014, with an automatic extension of the term of this lease, unless specifically rejected by the governing body of the District (in each case, a “Renewal Term”), of one year from the expiration of the original term of this lease and for one year from the expiration of each Renewal Term of this lease, until the original term of this lease has been extended through December 1, 2043, (the “Lease Term”). The Corporation accounts for the sublease as an operating lease.

The future minimum lease payments due from the District are as follows:

Year Ending June 30	Principal
2017	\$ 90,000
2018	90,000
2019	90,000
2020	90,000
2021 – 2026	2,165,000
2027 – 2031	2,550,000
2032 – 2036	2,550,000
2037 – 2041	2,550,000
2042 – 2044	1,530,000
	\$ 11,705,000

**NOTE 26 – PRIOR PERIOD ADJUSTMENT**

The District has posted a prior period adjustment to its June 30, 2015 financial statements to properly record the Internal Service Fund in the statement of net position. The net effect of this prior period adjustment was an increase in unrestricted net position of \$320,213.

**NOTE 27 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through December 6, 2016, the date the financial statements were available to be issued.

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
**For the Year Ended June 30, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Local Sources	\$ 2,109,771	\$ 2,109,771	\$ 2,091,565	\$ (18,206)
State Sources	11,323,260	11,323,260	11,173,401	(149,859)
Federal Sources	905,040	905,040	930,040	25,000
Interest Income	700	700	754	54
Miscellaneous	55,500	55,500	59,432	3,932
<b>Total Revenues</b>	<b>\$ 14,394,271</b>	<b>\$ 14,394,271</b>	<b>\$ 14,255,192</b>	<b>\$ (139,079)</b>
<b>EXPENDITURES:</b>				
Current:				
Regular Instruction	7,651,568	7,651,568	7,362,532	289,036
Special Instruction	2,303,190	2,303,190	2,156,713	146,477
Vocational Education	344,681	344,681	335,931	8,750
Pupil Services	256,046	256,046	248,528	7,518
General Administration Services	1,145,539	1,145,539	1,216,837	(71,298)
School Administration Services	224,579	224,579	239,994	(15,415)
Other Support Services	493,229	493,229	482,404	10,825
Operation and Maintenance	1,094,408	1,094,408	1,110,029	(15,621)
Pupil Transportation	656,399	656,399	682,931	(26,532)
Student Activities	593,058	593,058	595,873	(2,815)
<b>Total Expenditures</b>	<b>\$ 14,762,697</b>	<b>\$ 14,762,697</b>	<b>\$ 14,431,772</b>	<b>\$ 330,925</b>
Net Change in Fund Balance	(368,426)	(368,426)	(176,580)	191,846
Fund Balance, Beginning of Year	3,298,612	3,298,612	3,298,612	-
Fund Balance, End of Year	<u>\$ 2,930,186</u>	<u>\$ 2,930,186</u>	<u>\$ 3,122,032</u>	<u>\$ 191,846</u>

Note 1 – There is not a difference between Budget and GAAP since the budget is prepared on the modified accrual basis of accounting.

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**PENSION SCHEDULES**  
**For the Year Ended June 30, 2016**

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

District's proportion of the net pension liability (asset)	1.064563%
District's proportionate share of the net pension liability (asset)	\$13,922,942
District's covered-employee payroll	\$6,548,180
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	212.62%
Plan fiduciary net position as a percentage of the total pension liability	62.10%

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

Statutorily required contribution	\$834,853
Contributions in relation to the statutorily required contribution	\$(834,853)
Contribution deficiency (excess)	\$ -
Employer's covered-employee payroll	\$6,548,180
Contributions as a percentage of covered-employee payroll	12.75%

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

District's proportion of the net pension liability (asset)	.153205%
District's proportionate share of the net pension liability (asset)	\$1,041,768
District's covered-employee payroll	\$1,364,873
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	76.33%
Plan fiduciary net position as a percentage of the total pension liability	77.15%

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

Statutorily required contribution	\$103,673
Contributions in relation to the statutorily required contribution	\$(105,652)
Contribution deficiency (excess)	\$(1,979)
Employer's covered-employee payroll	\$1,364,873
Contributions as a percentage of covered-employee payroll	7.60%



**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2016**

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**NOTE 1 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*Budgetary Information:*

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

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

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

**NOTE 2 – EXPENDITURES IN EXCESS OF BUDGET**

During the year ended June 30, 2016, Wahpeton Public School District No. 37 expenditures did not exceed budgeted amounts.

**NOTE 3 – PENSIONS – CHANGES OF ASSUMPTIONS**

*ND Teachers' Fund for Retirement (TFFR)*

Amounts reported in 2016 reflect the following actuarial assumption changes effective July 1, 2015 based on the results of an actuarial experience study dated April 30, 2015.

- Investment return assumption lowered from 8.00% to 7.75%.
- Inflation assumption lowered from 3.00% to 2.75%
- Total salary scale rates lowered by 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.

*ND Public Employees Retirement System (NDPERS)*

Amounts reported in 2016 reflect actuarial assumption changes effective July 1, 2015 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2016**

	Special Revenue		Capital Projects	Debt Service			Total Nonmajor Governmental
	Food Service	Special Reserve	Building	Zimmerman/ High School	Special Assessment	Central Renovation	
<b>ASSETS:</b>							
Cash - Checking	\$ 109,431	\$ 153,573	\$ 265,514	\$ 356,814	\$ -	\$ -	\$ 885,332
Accounts Receivable	3,081	-	-	-	-	-	3,081
Due from County	-	-	14,047	4,213	-	-	18,260
Due from Other Funds	-	-	30,576	-	-	-	30,576
Inventory	8,831	-	-	-	-	-	8,831
Taxes Receivable	-	-	11,328	3,448	-	-	14,776
<b>Total Assets</b>	<b>\$ 121,343</b>	<b>\$ 153,573</b>	<b>\$ 321,465</b>	<b>\$ 364,475</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 960,856</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b>							
<b>Liabilities:</b>							
Due to Other Funds	-	-	-	-	30,576	-	30,576
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 30,576</b>	<b>\$ -</b>	<b>\$ 30,576</b>
<b>Deferred Inflows of Resources:</b>							
Deferred Revenue	-	-	11,328	3,448	-	-	14,776
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,328</b>	<b>\$ 3,448</b>	<b>\$ 30,576</b>	<b>\$ -</b>	<b>\$ 45,352</b>
<b>Fund Balances:</b>							
<b>Nonspendable for:</b>							
Inventory	8,831	-	-	-	-	-	8,831
<b>Restricted for:</b>							
Debt Service	-	-	-	361,027	-	-	361,027
Capital Projects	-	-	310,137	-	-	-	310,137
<b>Assigned to:</b>							
Special Reserve	-	153,573	-	-	-	-	153,573
Food Service	112,512	-	-	-	-	-	112,512
<b>Unassigned to:</b>							
Debt Service	-	-	-	-	(30,576)	-	(30,576)
<b>Total Fund Balances (Deficit)</b>	<b>\$ 121,343</b>	<b>\$ 153,573</b>	<b>\$ 310,137</b>	<b>\$ 361,027</b>	<b>\$ (30,576)</b>	<b>\$ -</b>	<b>\$ 915,504</b>
<b>Total Liabilities, Deferred Inflows or Resources, and Fund Balances</b>	<b>\$ 121,343</b>	<b>\$ 153,573</b>	<b>\$ 321,465</b>	<b>\$ 364,475</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 960,856</b>

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – NONMAJOR FUNDS**  
**For the Year Ended June 30, 2016**

	Special Revenue		Capital Projects	Debt Service			Total Nonmajor Governmental
	Food Service	Special Reserve	Building	Zimmerman/ High School	Special Assessment	Central Renovation	
<b>REVENUES</b>							
Local Sources	\$ 262,491	\$ 11	\$ 318,899	\$ 96,180	\$ -	\$ -	\$ 677,581
State Sources	9,402	-	-	-	-	-	9,402
Federal Sources	359,005	-	-	-	-	-	359,005
Interest Income	-	79	21	202	-	-	302
<b>Total Revenues</b>	<b>\$ 630,898</b>	<b>\$ 90</b>	<b>\$ 318,920</b>	<b>\$ 96,382</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,046,290</b>
<b>EXPENDITURES</b>							
Current:							
Operation and Maintenance	-	-	188,207	-	-	-	188,207
School Food Services	657,329	-	-	-	-	-	657,329
Debt Services:							
Principal	-	-	62,493	206,838	-	-	269,331
Interest and Other Charges	-	-	9,916	10,137	-	633	20,686
Special Assessments	-	-	-	-	54,436	-	54,436
<b>Total Expenditures</b>	<b>\$ 657,329</b>	<b>\$ -</b>	<b>\$ 260,616</b>	<b>\$ 216,975</b>	<b>\$ 54,436</b>	<b>\$ 633</b>	<b>\$ 1,189,989</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (26,431)	\$ 90	\$ 58,304	\$ (120,593)	\$ (54,436)	\$ (633)	\$ (143,699)
<b>OTHER FINANCING SOURCES (USES):</b>							
Operating Transfer Out	-	-	-	-	-	(4,655)	(4,655)
Operating Transfer In	-	-	-	4,655	-	-	4,655
<b>Total Other Financing Sources and Uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,655</b>	<b>\$ -</b>	<b>\$ (4,655)</b>	<b>\$ -</b>
<b>Net Change in Fund Balance</b>	<b>\$ (26,431)</b>	<b>\$ 90</b>	<b>\$ 58,304</b>	<b>\$ (115,938)</b>	<b>\$ (54,436)</b>	<b>\$ (5,288)</b>	<b>\$ (143,699)</b>
Fund Balance, Beginning of Year	147,774	153,483	251,833	476,965	23,860	5,288	1,059,203
<b>Fund Balance, End of Year</b>	<b>\$ 121,343</b>	<b>\$ 153,573</b>	<b>\$ 310,137</b>	<b>\$ 361,027</b>	<b>\$ (30,576)</b>	<b>\$ -</b>	<b>\$ 915,504</b>

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**STATEMENT OF RECEIPTS AND DISBURSEMENTS – ACTIVITY FUND**  
**For the Year Ended June 30, 2016**

	Balance 7/1/2015	Net Increase/(Decrease)	Balance 6/30/2016
<b>HIGH SCHOOL</b>			
Athletics	\$ 115,608	\$ 10,618	\$ 126,226
Track Fundraiser	2,039	(153)	1,886
Cheerleaders	1,452	(362)	1,090
Science Club	68	-	68
Student Council	1,835	(982)	853
Thespians	3,996	11	4,007
Cross Country Fundraiser	633	(7)	626
Spanish Club	262	573	835
EDC Baseball	1,164	-	1,164
Speech Fund	233	-	233
Football Fund	1,278	(6)	1,272
Art Club	31	-	31
Conflict Resolution Program	-	-	-
Band Account	1,939	56	1,995
National Art Honor Society	180	(13)	167
Golf Fundraiser	(35)	-	(35)
Picture Fund	-	-	-
Juice Machines	1,986	(527)	1,459
Alumni Association	2,154	-	2,154
Boys BB Fundraisers	801	619	1,420
MIP Class	285	-	285
Forensics Fundraiser	334	-	334
Volleyball Fundraiser	584	157	741
HS Concessions Stand	2,508	699	3,207
Peer Counseling	201	-	201
Tennis Fund Raiser	565	(43)	522
Lefse - HS Athletics	27	-	27
Flag Memorial	64	-	64
Class of '14	1,430	-	1,430
Class of '15	254	-	254
Prom 2014 & Beyond	693	492	1,185
Girls BB Fundraisers	55	1,326	1,381
Close Up	258	-	258
HS Box Tops	-	38	38
Baseball Fundraiser	2,015	(787)	1,228
Casual Friday	1,585	(107)	1,478
EDC Wrestling	92	-	92
EDC Track	250	2	252
Class B State Golf	350	-	350
Dance Line	460	-	460
EDC Volleyball	794	-	794
Wopanin 2007	(194)	3,372	3,178
Wa-Hi 2007	3,974	-	3,974
Euphonium Donation	-	-	-
Swing Choir	1,599	167	1,766
Mark Werre Scholarship	2,696	(499)	2,197
Centennial Scholarship Fund	14,673	3,076	17,749
Track Clock Fundraiser	296	-	296
Vet Memorial Fund	814	-	814
Stadium/Track Maint. Fund	24,551	4,861	29,412
Girls Golf Fund	-	1	1
Boys Golf Fund	63	-	63
High School AP Test	57	(15)	42
High School Store	3,910	-	3,910
EDC Cross Country	161	-	161
Boys Hockey Fundraiser	216	-	216
HS Faculty Account	1,752	(309)	1,443
Jack Pfister Memorial	240	-	240
Project Graduation '11	1,140	(1,140)	-
Project Graduation '12	1,001	(1,001)	-
Project Graduation '13	1,150	(150)	1,000
Project Graduation '14	844	-	844
Project Graduation '15	250	901	1,151
Project Graduation '16	-	1,730	1,730
Regional Gymnastics	103	-	103
Bremer Scholarship	500	-	500

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Statement of Receipts and Disbursements – Activity Fund – Continued**

	Balance 7/1/2015	Net Increase/(Decrease)	Balance 6/30/2016
Band/Choir Trip	\$ (30)	\$ 789	\$ 759
Food Vending Maching	(3,709)	2,691	(1,018)
JO VB Berg Scholarship Fund	500	(500)	-
Target Fund	145	(145)	-
Music Camps	2,315	(450)	1,865
DECA	-	230	230
Clark Williams Scholarship	200	-	200
<b>MIDDLE SCHOOL</b>			
Activity Fund	20,862	(618)	20,244
Yearbooks	2,040	(105)	1,935
Target Fund	668	130	798
Band Fund	137	-	137
Middle School Book Fair	1,493	375	1,868
Middle School Band Fund.	330	105	435
Middle School Fundraiser	3,050	(1,903)	1,147
Middle School Choir Fund	886	-	886
Student Council	1,566	(1,014)	552
Juice Machines	33	-	33
Make a Sound Choice	3,444	-	3,444
Ecology	296	-	296
8th Challenge Field Trip	-	137	137
Choir (7/8) Tuning Forks	-	17	17
Jr. Honor Society	80	(38)	42
<b>ELEMENTARY</b>			
ZE Mondays with Moms	158	83	241
5th Grade Music Program	18	-	18
Presentation Binders	-	-	-
Special Education Donation	3,479	(150)	3,329
Technology Fundraiser	2,740	-	2,740
Student Council	7,873	184	8,057
Zimmerman Technology	1,632	(185)	1,447
Central Target Fund	266	(83)	183
Central Box Tops	424	40	464
Zimmerman Box Tops	1,683	195	1,878
Jump Rope for Heart	-	1	1
VFW Clothing Fund	110	-	110
Medical Donation	343	(75)	268
CE Activities	4,439	1,734	6,173
Elementary Music Donation	180	-	180
CE Pencil Fund	2,304	160	2,464
Line-Cargill Donation	90	-	90
Hopkins Shoe Fund Balance	18	25	43
CE Labels for Learning	280	(193)	87
CE Peer Mediators	1,914	(683)	1,231
Walmart Teacher of the Year	-	-	-
Hoefs-Horizon Mill Donation	-	-	-
Preschool Playground Project	239	-	239
Watch D.O.G.S	129	(69)	60
CE Literacy Event	1,296	(664)	632
Recorders	163	47	210
	<u>\$ 230,924</u>	<u>\$ 75,103</u>	<u>\$ 306,027</u>

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**SCHEDULE OF TAXABLE LEVIES**  
**For the Year Ended June 30, 2016**

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Fund	Amount of Tax Levied	Tax Rate in Mills
General Fund	\$ 1,936,566	61.82
Sinking and Interest	1,936,566	61.82
Building	312,319	9.97
High School Tuition	31,326	1.00
	<u>\$ 4,216,777</u>	<u>134.61</u>

**SCHEDULE OF INSURANCE IN FORCE**  
**For the Year Ended June 30, 2016**

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Comprehensive General Liability	
Per Occurrence	\$ 2,000,000
Medical	2,500
Board of Education Liability	2,000,000
Boiler and Machinery	
\$1,000 Deductible	21,666,925
Building and Contents	
\$1,000 Deductible - ND State Fire and Tornado	46,666,731
Commercial Blanket Bond	2,000,000
Automobile Coverage	
Liability	2,000,000
Uninsured/Underinsured per person	100,000
Mororis Coverage per Occurrence	300,000

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Wahpeton, North Dakota**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2016**

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</u>	<u>CFDA NUMBER</u>	<u>TOTAL EXPENDITURES</u>
<u>CHILD NUTRITION CLUSTER:</u>		
U.S. DEPARTMENT OF AGRICULTURE:		
Passed through State Department of Public Instruction:		
School Breakfast Program (Note 3, 4)	10.553	\$ 58,415
National School Lunch Program (Note 3, 4)	10.555	228,170
Commodity Assistance for Schools (Note 3, 4)	10.555	<u>30,099</u>
Total Child Nutrition Cluster		316,684
Fresh Fruits and Vegetables Program	10.582	41,574
Team Nutrition Training Grants	10.574	<u>747</u>
Total U.S. Department of Agriculture		\$ 359,005
<u>SPECIAL EDUCATION CLUSTER:</u>		
U.S. DEPARTMENT OF EDUCATION:		
Passed through State Department of Public Instruction:		
Special Education - Grants to States (IDEA, Part B) (Note 4)	84.027	\$ 416,382
Special Education - Preschool Grants (IDEA, Preschool) (Note 4)	84.173	<u>6,367</u>
Total Special Education Cluster		\$ 422,749
<u>U.S. DEPARTMENT OF EDUCATION:</u>		
Passed through State Department of Public Instruction:		
Title I - Grants to LEA's (Note 4)	84.010	\$ 361,704
Title IIA - Teacher Principal Quality Training	84.367	120,587
Title VI - State Assessment Program	84.369	<u>25,000</u>
Total U.S. Department of Education		<u>\$ 930,040</u>
Total Expenditures Federal Awards		<u><u>\$ 1,289,045</u></u>

**NOTE 1 – BASIS OF PRESENTATION:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Wahpeton Public School District No. 37 under programs of the federal government for the year ended June 30, 2016. The information in the schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Wahpeton Public School District No. 37, it is not intended to and does not present the financial position or changes in net position of Wahpeton public School District No. 37.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance and OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Schedule of Expenditures of Federal Awards – Continued**

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**NOTE 3 – CASH VALUE RECEIVED:**

Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash value received rather than federal expenditures.

**NOTE 4 – MAJOR PROGRAM:**

This represents a major federal financial assistance program.



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**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**

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**INDEPENDENT AUDITOR'S REPORT**

School Board  
Wahpeton Public School District No. 37  
Wahpeton, North Dakota 58075

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to finance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wahpeton Public School District No. 37, Wahpeton, North Dakota, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Wahpeton Public School District No. 37, Wahpeton, North Dakota's basic financial statements, and have issued my report thereon dated December 6, 2016.

**Internal Control Over Financial Reporting**

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did identify certain deficiencies in internal control, described in the accompanying *schedule of findings and questioned costs (16.1)*, that I consider to be a significant deficiency.

**Compliance and Other Matters**

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

**Wahpeton Public School District No. 37**  
**Report on Internal Control over Financial Reporting – Continued**

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**Wahpeton Public School District No. 37's Response to Findings**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School 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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



NADINE JULSON, LLC  
Wahpeton, North Dakota  
December 6, 2016

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**Report on Compliance for Each Major Federal Program and on Internal  
Control Over Compliance Required by the Uniform Guidance**

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**Independent Auditor's Report**

School Board  
Wahpeton Public School District No. 37  
Wahpeton, North Dakota 58075

**Report on Compliance for Each Major Federal Program**

I have audited Wahpeton Public School District No. 37's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Wahpeton Public School District No. 37's major federal programs for the year ended June 30, 2016. Wahpeton Public School District No. 37's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

***Opinion on Each Major Federal Program***

In my opinion, Wahpeton Public School District No. 37 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

**Report on Internal Control Over Compliance**

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

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

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

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



Nadine Julson, LLC  
Wahpeton, North Dakota  
December 6, 2016

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

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

Financial Statements

Type of report issued:	
Governmental Activities	Unmodified
Major Governmental Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal Control Over Financial Reporting:

Material weakness identified?	_____	Yes	<u>    X    </u>	No
Significant deficiencies identified not considered to be material weaknesses?	<u>    X    </u>	Yes	_____	None Reported
Noncompliance material to financial statements noted?	_____	Yes	<u>    X    </u>	No

Federal Awards:

Internal Control Over Major Programs:

Material weakness(es) identified?	_____	Yes	<u>    X    </u>	None Reported
Significant deficiency(ies) identified not considered to be material weaknesses?	_____	Yes	<u>    X    </u>	None Reported
Types of auditor’s report issued on compliance for major programs:			Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.510(b)?	_____	Yes	<u>    X    </u>	None Reported

Identification of Major Programs:

CDA Number	Name of Program or Cluster
84.010	Title I, Grants to Local Agencies, (LEA’s)
84.027	<i>SPECIAL EDUCATION CLUSTER:</i> Special Education – Grants to States Special Education – Preschool Grants
84.173	
10.553	<i>CHILD NUTRITION CLUSTER</i> School Breakfast Program National School Lunch Program Commodity Assistance for Schools
10.555	
10.555	
Dollar threshold used to distinguish between Type A and Type B Programs:	\$750,000

Auditee qualified as low-risk auditee?	<u>    X    </u>	Yes	_____	No
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**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Schedule of Findings and Questioned Costs – Continued**

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

16.1 LACK OF SEGREGATION OF DUTIES

**Condition:**

The Wahpeton Public School District No. 37 has one business manager responsible for most accounting functions. The business manager reconciles all the accounts of the secretary and the secretary reconciles all the accounts of the business manager.

**Criteria:**

There should be sufficient accounting personnel so duties of employees are segregated. The segregation of duties would provide better control over the assets of the School District.

**Effect:**

There is limited segregation of duties since one employee is responsible to collect money, deposit money, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and prepare financial statements. This increases the risk of misstatement of the School District's financial condition.

**Recommendation:**

Due to the size of the School District, it is not feasible to obtain proper separation of duties and no recommendation will be made.

**View of Responsible Officials:**

No response is considered necessary.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**Nadine Julson, LLC**  
Nadine Julson, Certified Public Accountant  
709 Dakota Ave  
PO Box 721  
Wahpeton, ND 58074  
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Wahpeton Public School District No. 37  
Wahpeton, North Dakota

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and aggregate remaining fund information of the Wahpeton Public School District No. 37, North Dakota, as of and for the year ended June 30, 2016, which collectively comprise the Wahpeton Public School District No. 37's basic financial statements and have issued my report thereon dated December 6, 2016. Professional standards require that I provide you with the following information related to my audit.

**OUR RESPONSIBILITIES UNDER U.S. GENERALLY ACCEPTED AUDITING STANDARDS, *GOVERNMENT AUDITING STANDARDS* AND THE UNIFORM GUIDANCE**

As stated in my engagement letter dated July 1, 2016, my responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing my audit, I considered Wahpeton Public School District No. 37's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide assurance on the internal control over financial reporting. I also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether Wahpeton Public School District No. 37's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of my audit. Also in accordance with the Uniform Guidance, I examined, on a test basis, evidence about Wahpeton Public School District No. 37's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on Wahpeton Public School District No. 37's compliance with those requirements. While my audit provides a reasonable basis for my opinion, it does not provide a legal determination on Wahpeton Public School District No. 37's compliance with those requirements.

**SIGNIFICANT ACCOUNTING POLICIES/QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Wahpeton Public School District No. 37 are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2016. I noted no transactions entered by the governmental unit during the year which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements presented by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is useful lives of capital assets.

**CORRECTED AND UNCORRECTED MISSTATEMENTS**

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. None of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

**DISAGREEMENTS WITH MANAGEMENT**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

**MANAGEMENT REPRESENTATIONS**

I have requested certain representations from management that are included in the management representation letter dated December 6, 2016.

**MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the county's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

**DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT**

I encountered no significant difficulties in dealing with management in performing and completing my audit.

**OTHER AUDIT FINDINGS OR ISSUES**

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

**OTHER MATTERS**

I applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. My procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

I was engaged to report on supplementary information, which accompany the financial statements but are not RSI. With respect to this supplementary information, I made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to my audit of the financial statements. I compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

I was not engaged to report on other information accompanying the financial statements, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.



**WAHPETON PUBLIC SCHOOL DISTRICT NO. 37**  
**Communication Letter – Continued**

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**RESTRICTION ON USE**

This information is intended solely for the use of the Board of Education and management of the Wahpeton Public School District No. 37 and should not be used for any other purpose. However, this report is a matter of public record, and its distribution is not limited.

Thank you and the employees of Wahpeton Public School District No. 37 for the courteous and friendly assistance I received during the course of my audit. It is a pleasure for me to be able to service the Wahpeton Public School District No. 37.

*Nadine Julson, LLC*

Nadine Julson, LLC  
Wahpeton, North Dakota  
December 6, 2016