

**WILLISTON PUBLIC SCHOOL DISTRICT #1**

**FINANCIAL STATEMENTS  
JUNE 30, 2017**

**WITH INDEPENDENT AUDITOR'S REPORT**

**WILLISTON PUBLIC SCHOOL DISTRICT #1**

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FOR THE YEAR ENDED JUNE 30, 2017**

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**WILLISTON PUBLIC SCHOOL DISTRICT #1**

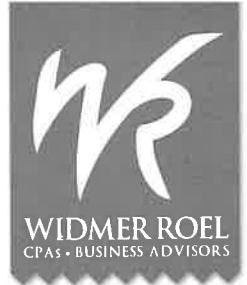
**SCHOOL DISTRICT OFFICIALS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Current**

Joanna Baltes	Board President
Thomas Kalil	Board Vice President
Sara Kasmer	Board Member
Heather Wheeler	Board Member
Dr. Theresa Hegge	Board Member
Dr. Jeff Thake	Superintendent
Lori Olson	Interim Assistant Superintendent/ Curriculum Director

**June 30, 2017**

Kimberly Semenko	Board President
Sara Kasmer	Board Vice President
Brion Norby	Board Member
Brett Vibeto	Board Member
David Richter	Board Member
Michael Campbell	Superintendent
Pamela Lambert	Assistant Superintendent of Business Services



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## INDEPENDENT AUDITOR'S REPORT

School Board and Administration  
**Williston Public School District #1**  
Williston, North Dakota

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Williston Public School District #1** (School District), as of and for the year ended June 30, 2017, 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*

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of **Williston Public School District #1**, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule – General Fund, Schedule of Employer’s Share of Net Pension Liability, Schedule of Employer Contributions, and Notes to Required Supplementary Information, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

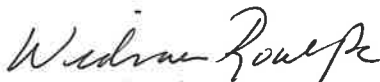
Management has omitted the management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required 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. Our opinion on the basic financial statements is not affected by this missing information.

#### ***Other Information***

The School District officials listing has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2019, on our consideration of the **Williston Public School District #1’s** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Williston Public School District #1’s** internal control over financial reporting and compliance.



Fargo, North Dakota

January 22, 2019

**WILLISTON PUBLIC SCHOOL DISTRICT #1**

**STATEMENT OF NET POSITION**

**JUNE 30, 2017**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 23,678,084
Taxes receivable	1,273,299
Intergovernmental receivable	4,828,563
Inventory	10,269
Capital assets, not being depreciated	
Land	3,078,290
Capital assets, net of accumulated depreciation	
Buildings	81,515,472
Modular leasehold improvements	3,617,223
Furniture and equipment	3,132,425
Vehicles	600,490
Land and building improvements	<u>1,219,170</u>
Total assets	122,953,285
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension plans	<u>16,982,992</u>
Total assets and deferred outflows of resources	\$ <u><u>139,936,277</u></u>
<b>LIABILITIES</b>	
Checks in excess of deposits	\$ 222,530
Accounts payable	143,584
Salaries and benefits payable	4,018,133
Interest payable	471,271
Unearned revenue	45,000
Long-term liabilities	
Portion due or payable within one year	
Compensated absences payable	127,720
Capital lease payable	527,766
Bond payable	2,924,397
Portion due or payable after one year	
Compensated absences	473,471
Bond payable	58,312,802
Bond premium	332,141
Net pension liability	<u>47,429,784</u>
Total liabilities	<u>115,028,599</u>

WILLISTON PUBLIC SCHOOL DISTRICT #1

STATEMENT OF NET POSITION

JUNE 30, 2017

	<u>Governmental Activities</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension plans	<u>547,956</u>
<b>NET POSITION</b>	
Net investment in capital assets	31,398,105
Restricted for	
Debt services	1,235,905
Special reserve	1,293,247
Capital projects	9,225,169
Unrestricted	<u>(18,792,704)</u>
Total net position	<u>24,359,722</u>
Total liabilities, deferred inflows of resources and net position	\$ <u><u>139,936,277</u></u>

**WILLISTON PUBLIC SCHOOL DISTRICT #1**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenue (Expense) and Change in Net Position Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>GOVERNMENTAL ACTIVITIES</b>				
Regular instruction	\$ 28,769,016	\$ 399,834	\$ 9,900	\$ (28,359,282)
Federal programs	1,119,593	-	1,123,010	3,417
Special education	2,710,332	-	1,706,266	(1,004,066)
Vocational education	1,023,229	-	109,316	(913,913)
District wide services	2,435,114	-	-	(2,435,114)
Administration	1,711,973	-	-	(1,711,973)
Operations and maintenance	4,342,574	-	-	(4,342,574)
Food service	2,571,247	1,329,535	821,383	(420,329)
Transportation	874,379	-	-	(874,379)
Student activities	1,174,825	43,458	-	(1,131,367)
Community services	3,472	-	-	(3,472)
Interest expense and fees	2,042,830	-	-	(2,042,830)
	<u>\$ 48,778,584</u>	<u>\$ 1,772,827</u>	<u>\$ 3,769,875</u>	<u>(43,235,882)</u>
Total governmental activities				

**GENERAL REVENUES**

Property taxes levied for general purposes	12,533,814
In lieu of taxes	360,925
Sales tax levy	1,421,443
Oil and gas tax	7,125,144
State aid not restricted to specific program	24,888,850
Earnings on investments	83,514
Gain on sale of assets	240
Miscellaneous revenues	<u>699,282</u>
Total general revenues	<u>47,113,212</u>
Change in net position	3,877,330
Net position - July 1	<u>20,482,392</u>
Net position - June 30	<u>\$ 24,359,722</u>



WILLISTON PUBLIC SCHOOL DISTRICT #1

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2017

	<u>General Fund</u>	<u>Building Fund</u>	<u>Debt Service Fund</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 11,680,452	\$ 9,214,140	\$ 1,490,245
Taxes receivable	913,522	185,037	137,761
Intergovernmental receivable	4,565,051	11,020	218,950
Inventory	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 17,159,025</u>	<u>\$ 9,410,197</u>	<u>\$ 1,846,956</u>
<b>LIABILITIES</b>			
Checks in excess of deposits	\$ -	\$ -	\$ -
Accounts payable	143,186	-	-
Salaries and benefits payable	3,847,176	-	-
Unearned revenue - food service	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>3,990,362</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - Property taxes	<u>913,522</u>	<u>185,028</u>	<u>137,761</u>
<b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted for			
Debt services	-	-	1,709,195
Special reserve	-	-	-
Capital outlay	-	9,225,169	-
Unassigned	<u>12,255,141</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>12,255,141</u>	<u>9,225,169</u>	<u>1,709,195</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 17,159,025</u>	<u>\$ 9,410,197</u>	<u>\$ 1,846,956</u>

<u>Food Service Fund</u>	<u>Special Reserve Fund</u>	<u>Total Governmental Funds</u>
\$ -	\$ 1,293,247	\$ 23,678,084
-	36,979	1,273,299
33,542	-	4,828,563
<u>10,269</u>	<u>-</u>	<u>10,269</u>
<u>\$ 43,811</u>	<u>\$ 1,330,226</u>	<u>\$ 29,790,215</u>
\$ 222,530	\$ -	\$ 222,530
398	-	143,584
170,957	-	4,018,133
<u>45,000</u>	<u>-</u>	<u>45,000</u>
<u>438,885</u>	<u>-</u>	<u>4,429,247</u>
<u>-</u>	<u>36,979</u>	<u>1,273,290</u>
10,269	-	10,269
-	-	1,709,195
-	1,293,247	1,293,247
-	-	9,225,169
<u>(405,343)</u>	<u>-</u>	<u>11,849,798</u>
<u>(395,074)</u>	<u>1,293,247</u>	<u>24,087,678</u>
<u>\$ 43,811</u>	<u>\$ 1,330,226</u>	<u>\$ 29,790,215</u>

**WILLISTON PUBLIC SCHOOL DISTRICT #1**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

<b>Total fund balances for governmental funds</b>	<b>\$ 24,087,678</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.	93,163,070
Accrued interest payable for long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(471,271)
Property taxes 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 inflows of resources in the funds.	1,273,290
Compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	(601,191)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	16,435,036
Long-term liabilities applicable to the School District's net pension liability are not due and payable in the current period and accordingly are not reported as fund liabilities - both current and long-term are reported in the statement of net position.	(47,429,784)
Long-term liabilities, including bonds payable and financing leases, are not due and payable in the current period, and therefore, are not reported in the funds.	<u>(62,097,106)</u>
<b>Total net position of governmental activities</b>	<b>\$ <u>24,359,722</u></b>

**WILLISTON PUBLIC SCHOOL DISTRICT #1**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Debt Service Fund</u>
<b>REVENUES</b>			
Local sources	\$ 17,967,722	\$ 1,988,618	\$ 1,896,921
State sources	26,722,534	-	-
Federal sources	1,123,010	-	-
Other sources	<u>84,819</u>	<u>64,677</u>	<u>1,848</u>
Total revenues	<u>45,898,085</u>	<u>2,053,295</u>	<u>1,898,769</u>
<b>EXPENDITURES</b>			
Current			
Regular instruction	27,887,322	-	-
Federal programs	1,059,328	-	-
Special education	2,478,124	-	-
Vocational education	893,243	-	-
District wide services	2,216,429	-	-
Administration	1,540,919	-	-
Operations and maintenance	3,576,395	513,721	-
Food service	-	-	-
Transportation	718,637	-	-
Student activities	1,113,571	-	-
Community services	3,472	-	-
Capital outlay	2,589	9,635,615	-
Debt service			
Principal	1,157,323	870,822	805,189
Interest and fees	<u>475,568</u>	<u>279,763</u>	<u>1,467,386</u>
Total expenditures	<u>43,122,920</u>	<u>11,299,921</u>	<u>2,272,575</u>
Excess (deficiency) of revenues over expenditures	<u>2,775,165</u>	<u>(9,246,626)</u>	<u>(373,806)</u>
<b>OTHER FINANCING SOURCES</b>			
Bond proceeds	<u>-</u>	<u>5,771,624</u>	<u>-</u>
Net change in fund balances	<u>2,775,165</u>	<u>(3,475,002)</u>	<u>(373,806)</u>
<b>FUND BALANCES - JULY 1</b>	<u>9,479,976</u>	<u>12,700,171</u>	<u>2,083,001</u>
<b>FUND BALANCES - JUNE 30</b>	\$ <u><u>12,255,141</u></u>	\$ <u><u>9,225,169</u></u>	\$ <u><u>1,709,195</u></u>

<u>Food Service Fund</u>	<u>Special Reserve Fund</u>	<u>Total Governmental Funds</u>
\$ -	\$ 368,911	\$ 22,222,172
1,329,535	-	28,052,069
807,159	-	1,930,169
14,224	575	166,143
<u>2,150,918</u>	<u>369,486</u>	<u>52,370,553</u>
-	-	27,887,322
-	-	1,059,328
-	-	2,478,124
-	-	893,243
-	-	2,216,429
-	-	1,540,919
-	-	4,090,116
2,387,576	-	2,387,576
-	-	718,637
-	-	1,113,571
-	-	3,472
-	-	9,638,204
-	-	2,833,334
-	-	2,222,717
<u>2,387,576</u>	<u>-</u>	<u>59,082,992</u>
<u>(236,658)</u>	<u>369,486</u>	<u>(6,712,439)</u>
<u>-</u>	<u>-</u>	<u>5,771,624</u>
<u>(236,658)</u>	<u>369,486</u>	<u>(940,815)</u>
<u>(158,416)</u>	<u>923,761</u>	<u>25,028,493</u>
\$ <u>(395,074)</u>	\$ <u>1,293,247</u>	\$ <u>24,087,678</u>

**WILLISTON PUBLIC SCHOOL DISTRICT #1**

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

**Net change in fund balances - total governmental funds** \$ (940,815)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period these amounts are:

Current year capital outlay	12,141,902	
Depreciation expense	<u>(2,377,361)</u>	
		9,764,541

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		2,833,334
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Governmental funds report the effect of premiums on refundings when debt is first issued, whereas this amount is deferred and amortized in the statement of activities.		28,944
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Issuance of debt is an other financing source in the governmental funds, but the issuance increases long term liabilities in the statement of net position.		(5,771,624)
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Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.		
Net increase in compensated absences	28,094	
Net increase in interest payable	<u>99,549</u>	
		127,643

In the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. In the government funds, however, the contributions are reported as expense.		(2,450,054)
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Some revenues reported in the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the decrease in taxes receivable along with tuition for local education agencies.		<u>285,361</u>
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**Change in net position of governmental activities** \$ 3,877,330

**WILLISTON PUBLIC SCHOOL DISTRICT #1**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**JUNE 30, 2017**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ <u>554,622</u>
<b>LIABILITIES</b>	
Due to others	\$ 359,489
Due to primary government	<u>195,133</u>
Total liabilities	\$ <u>554,622</u>

# WILLISTON PUBLIC SCHOOL DISTRICT #1

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Nature of Operations*

The financial statements of the Williston Public School District #1 (“School District”), Williston, North Dakota, have been prepared in conformity with accounting principles general accepted in the United States of America (“GAAP”) as applied to government units. The Government 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.

#### *Reporting Entity*

The accompanying financial statements present the activities of the Williston Public School District #1. 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 are such that exclusion would cause the School District’s financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. Their criteria include appointing a voting majority of an organization’s governing board and (1) the ability of the School District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or imposed financial burdens on the School District.

Based on these criteria, there are no component units to be included within the School District as a reporting entity.

#### *Basis of Presentation*

*Government-Wide Financial Statements:* The statement of net position and the statement of activities report information on all of the non-fiduciary activities of the primary government of the School District. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customer or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

*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 and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, displayed in a separate column. All remaining governmental funds are aggregate and reported as non-major funds.



# WILLISTON PUBLIC SCHOOL DISTRICT #1

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### *Measurement Focus and Basis of Accounting*

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. These 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 is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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.

All revenues are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Revenue items are considered to be measurable and available only when cash is received by the government.

The School District reports the following major governmental funds:

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

*Building Fund:* This fund accounts for financial resources dedicated to the construction of new school buildings, additions to old school buildings, the making of major repairs to existing buildings, or to make annual debt service payments on outstanding debt issues related to the building fund.

*Debt Service Fund:* This fund is used to account for the accumulation of resources for, and the payment of principal, interest and related costs for the general obligation school building bonds.

*Food Service Fund:* The fund is used to account for the proceeds of food service revenue sources requiring separate accounting because of legal or regulatory provisions or administrative action.

*Special Reserve Fund:* The fund is used to collect property tax revenue to cover excess expenditures that may occur during the year that the District did not originally budget for.

The School District reports the following fund type:

*Agency Fund:* This fund accounts for assets held by the School District in a custodial capacity as an agent on behalf of others. The School District's agency fund is used to account for various deposits of the teacher learning center, Leon Olson Scholarship Fund and student activity funds.

# WILLISTON PUBLIC SCHOOL DISTRICT #1

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### *Cash and Cash Equivalents*

Cash and cash equivalents includes amounts in demand deposits and certificates of deposit, which have maturity dates of six months or less.

### *Capital Assets*

Capital assets include property, plant and equipment. Assets are reported in the governmental activities column in the government-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 the assets life 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:

Land and building improvements	20 to 40 years
Modular leasehold improvements	20 to 40 years
Buildings	20 to 50 years
Vehicles	8 to 15 years
Furniture and equipment	5 to 10 years

### *Compensated Absences*

Vested or accumulated vacation leave is reported in the government-wide statement of net position. The School District allows unused vacation leave to be carried over to a maximum of one year's vacation time.

Vested or accumulated sick leave is reported in government-wide statement of net position. Sick leave is accumulated at a rate of 10 days per year with no limit. Although employees accrue sick leave on an annual basis, the accrual for sick leave vests only if the employee has at least 12 years of continuous service. The leave will be paid at a rate of 40% of the daily substitute teacher's pay.

### *Deferred Outflows and Inflows of Resources*

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

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

# WILLISTON PUBLIC SCHOOL DISTRICT #1

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The other item is changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

### *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. Bond issuance costs are reported as assets and amortized over the term of the related debt.

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 sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

### *Fund Financial Statements*

Government fund equity is classified as fund balance, and may distinguish between “Restricted” and “Unrestricted” components. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net position held in trust for other purposes.

### *Government-wide Restricted and Unrestricted Resources*

It is the School District’s policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

### *Fund Balance and Classification Policies and Procedures*

The School District classifies governmental fund balances as follows:

*Nonspendable* – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

*Restricted* – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

*Committed* – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

*Assigned* – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Business Manager.

*Unassigned* – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

# WILLISTON PUBLIC SCHOOL DISTRICT #1

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The School District uses *restricted/committed* amounts first when both restricted and unrestricted fund balances are available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the School District would first use *committed*, then *assigned*, and lastly *unassigned* amounts of unrestricted fund balance when expenditures are made.

The School District does not have a formal minimum fund balance policy.

### ***Program Revenues***

In the government-wide statement of activities, reported program revenues are derived from the program itself or from parties other than the School District's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

***Charges for services*** – these arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.

***Program-specific operating grants and contributions*** – these arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.

### ***Accounts Payable***

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

### ***Salaries and Benefits Payable***

Salaries and benefits payable consists of salaries earned by employees but not paid until after year-end. It also consists of benefits owed to federal, state and private agencies for amounts withheld from teacher's salaries as of June 30.

### ***Pensions***

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

### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

## WILLISTON PUBLIC SCHOOL DISTRICT #1

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

#### NOTE 2 – CASH AND CASH EQUIVALENTS

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

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

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

At year ended June 30, 2017, the District's carrying amount of deposits was \$24,010,175, and the bank balances were \$26,875,392. Of the bank balances, \$11,282,337 was covered by Federal Depository Insurance and National Credit Union Share Insurance. The remaining balance of \$15,593,056 was collateralized with securities held by the pledging financial institution's agent in the government's name.

#### *Interest Rate Risk*

The School District does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from changing interest rates. All investments are certificates of deposit that mature within 1 year.

#### *Credit Risk*

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

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

At June 30, 2017, the District held certificates of deposit in the amount of \$11,227,441, which are all considered deposits and included in the above amount of total deposits.

#### *Concentration of Credit Risk*

The District does not have a policy limiting the amount the District may invest in any one issuer.

**WILLISTON PUBLIC SCHOOL DISTRICT #1**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 3 – TAXES RECEIVABLE**

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

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

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes and all the special assessments, and the second installment is the remaining 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.

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

**NOTE 4 – INTERGOVERNMENTAL RECEIVABLE**

Intergovernmental receivables consist of reimbursements due for expenses in the operation of various school programs. These amounts consist of a mix of state and federal dollars.

**NOTE 5 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

***Deficit Fund Balance***

The Food Service Fund had a deficit fund balance as of June 30, 2017 of \$395,074.

**WILLISTON PUBLIC SCHOOL DISTRICT #1**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 6 – CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended June 30, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 3,078,290	\$ -	\$ -	\$ 3,078,290
Construction in process	<u>58,672,104</u>	<u>10,363,979</u>	<u>69,036,083</u>	<u>-</u>
Total capital assets not being depreciated	<u>61,750,394</u>	<u>10,363,979</u>	<u>69,036,083</u>	<u>3,078,290</u>
Capital assets, being depreciated				
Land and building improvements	3,527,401	107,760	-	3,635,161
Modular leasehold improvements	1,670,000	2,355,848	-	4,025,848
Buildings	26,269,267	66,680,235	-	92,949,502
Vehicles	1,901,106	26,163	-	1,927,269
Furniture and equipment	<u>3,943,353</u>	<u>1,644,000</u>	<u>-</u>	<u>5,587,353</u>
Total capital assets being depreciated	<u>37,311,127</u>	<u>70,814,006</u>	<u>-</u>	<u>108,125,133</u>
Less accumulated depreciation for				
Land and building improvements	2,296,367	119,624	-	2,415,991
Modular leasehold improvements	325,125	83,500	-	408,625
Buildings	10,001,317	1,432,713	-	11,434,030
Vehicles	1,196,645	130,134	-	1,326,779
Equipment	<u>1,843,538</u>	<u>611,390</u>	<u>-</u>	<u>2,454,928</u>
Total accumulated depreciation	<u>15,662,992</u>	<u>2,377,361</u>	<u>-</u>	<u>18,040,353</u>
Total capital assets being depreciated, net	<u>21,648,135</u>	<u>68,436,645</u>	<u>-</u>	<u>90,084,780</u>
Governmental activities capital assets, net	\$ <u>83,398,529</u>	\$ <u>78,800,624</u>	\$ <u>69,036,083</u>	\$ <u>93,163,070</u>

*(Continued)*

**WILLISTON PUBLIC SCHOOL DISTRICT #1**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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

Regular instruction	\$ 1,429,985
Vocational education	176,328
District wide services	46,587
Administration	114,094
Operations and maintenance	100,413
Food service	207,375
Transportation	121,312
Student activities	51,134
Vehicles	<u>130,133</u>
	\$ <u><u>2,377,361</u></u>

**NOTE 7 – SALARIES AND BENEFITS PAYABLE**

Salaries and benefits payable consists of salaries earned by employees but not paid until after year-end. It also consists of benefits owed to federal, state, and private agencies for amounts withheld from teacher’s salaries as of June 30.

**NOTE 8 – LONG-TERM LIABILITIES**

*Changes in Long-Term Liabilities*

During the year ended June 30, 2017, the following changes occurred in liabilities reported in the long-term liabilities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation building bonds	\$ 45,319,711	\$ -	\$ 925,189	\$ 44,394,522	\$ 1,519,541
Bond premium	361,085	-	28,944	332,141	-
State aid bonds	12,228,376	5,771,624	1,157,323	16,842,677	1,404,856
Faculty apartment loan	194,493	-	194,493	-	-
Modulars capital lease	1,084,095	-	556,329	527,766	527,766
Compensated absences	629,285	1,306,506	1,334,600	601,191	127,720
Net pension liability	<u>37,961,616</u>	<u>9,468,168</u>	<u>-</u>	<u>47,429,784</u>	<u>-</u>
Total	\$ <u><u>97,778,661</u></u>	\$ <u><u>16,546,298</u></u>	\$ <u><u>4,196,878</u></u>	\$ <u><u>110,128,081</u></u>	\$ <u><u>3,579,883</u></u>

*Governmental Activities*

The compensated absences liability attributable to the governmental activities will be liquidated by the General Fund. The payments on the bonds will be made by the Debt Service Fund.

Outstanding debt at June 30, 2017 consists of the following issues:

**Capital Lease**

\$1,670,000 capital lease payable for the use of 4 modular buildings, due in monthly installments of \$48,821 through May 25, 2018; interest at 2.87%.	\$ <u><u>527,766</u></u>
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**WILLISTON PUBLIC SCHOOL DISTRICT #1**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

Debt service requirements on the capital lease, including interest, at June 30, 2017 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ <u>527,766</u>	\$ <u>9,369</u>	\$ <u>537,135</u>

**General Obligation Bonds**

\$2,690,000 General Obligation School Building Bonds, Series 2011, due in annual installments of \$40,000 to \$235,000 through October 1, 2024; interest at 0.75% to 3.10%.	\$	1,705,000
\$9,895,000 General Obligation School Building Bonds, Series 2014, due in annual installments of \$980,000 to \$1,240,000 beginning on August 1, 2026 through August 1, 2034; interest at 2.5% to 3.5%.		9,895,000
\$4,105,000 General Obligation School Building Bonds, Series 2015A, due in annual installments of \$50,000 to \$890,000 through August 1, 2025; interest at 2% to 3%.		4,055,000
\$20,000,000 General Obligation School Building Bonds, Series 2015B, due in annual installments of \$500,000 to \$770,000 through October 1, 2034; interest at 5%.		18,859,522
\$3,965,000 General Obligation School Building Bonds, Series 2015C, due in annual installments of \$120,000 to \$255,000 through August 1, 2035; interest at 2% to 3%.		3,845,000
\$6,035,000 General Obligation School Building Bonds, Series 2016A, due in annual installments of \$190,000 to \$415,000 through August 1, 2035; interest at 2% to 3%.		<u>6,035,000</u>
Total general obligation bonds	\$	<u>44,394,522</u>

Debt service requirements on the general obligation bonds, including interest, at June 30, 2017 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,519,541	\$ 1,110,815	\$ 2,630,356
2019	1,695,301	1,060,435	2,755,736
2020	1,809,000	1,021,826	2,830,826
2021	1,943,074	980,657	2,923,731
2022	2,082,533	936,096	3,018,629
2023-2027	13,173,506	3,809,572	16,983,078
2028-2032	14,052,092	2,092,771	16,144,863
2033-3036	<u>8,119,475</u>	<u>333,815</u>	<u>8,453,290</u>
	\$ <u>44,394,522</u>	\$ <u>11,345,987</u>	\$ <u>55,740,509</u>

*(Continued)*

**WILLISTON PUBLIC SCHOOL DISTRICT #1**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**State Aid Bonds**

\$18,000,000 Williams County State Aid Bonds, Series 2015, monthly principal and interest payments of \$153,848, through December 2027 with a variable interest rate not to be less than 1.75%.

\$ 16,842,677

Debt service requirements on the state aid bonds, including interest, at June 30, 2017 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,404,856	\$ 441,323	\$ 1,846,179
2019	1,443,604	402,575	1,846,179
2020	1,483,421	362,758	1,846,179
2021	1,524,336	321,843	1,846,179
2022	1,566,380	279,800	1,846,180
2023-2027	8,504,278	954,885	9,459,163
2028	<u>915,802</u>	<u>7,289</u>	<u>923,091</u>
	\$ <u>16,842,677</u>	\$ <u>2,770,473</u>	\$ <u>19,613,150</u>

**NOTE 9 – PENSION PLANS**

**General Information about the TFFR Pension Plan**

*North Dakota Teacher’s Fund for Retirement (“TFFR”)*

The following brief description of TFFR is provided for general information purposes only. Participants should refer to North Dakota Century Code (“NDCC”) Chapter 15-39.1 for more complete information.

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

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

***Pension Benefits***

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

## WILLISTON PUBLIC SCHOOL DISTRICT #1

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

#### *Tier 1 Grandfathered*

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

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

#### *Tier 1 Non-grandfathered*

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

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

#### *Tier 2*

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

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

# WILLISTON PUBLIC SCHOOL DISTRICT #1

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### *Death and Disability Benefits*

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

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

### *Member and Employer Contributions*

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

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

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

At June 30, 2017, the District reported a liability of \$41,463,698 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2016, the District's proportion was 2.801734 percent, which was an increase of .127962 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$4,589,876. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**WILLISTON PUBLIC SCHOOL DISTRICT #1**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 195,831	\$ 196,320
Changes of assumptions	3,463,418	-
Net difference between projected and actual earnings on pension plan investments	3,446,756	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,884,063	-
Employer contributions subsequent to the measurement date	<u>2,735,997</u>	<u>-</u>
	\$ <u>13,726,065</u>	\$ <u>196,320</u>

\$2,735,997 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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

2018	\$ 4,739,748
2019	2,003,751
2020	2,845,976
2021	2,318,655
2022	1,393,553
Thereafter	228,062

***Actuarial Assumptions***

The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the 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 are 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.

# WILLISTON PUBLIC SCHOOL DISTRICT #1

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The actuarial assumptions used were based on the results of an actuarial experience study dated April 30, 2015. They are the same as the assumptions used in the July 1, 2016, 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% to 7.75%.
- Inflation assumption lowered from 3% to 2.75%
- Total salary scale rates lowered by 0.25% due to lower inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

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

	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equities	58%	7.30%
Global fixed income	23%	0.90%
Global real assets	18%	5.30%
Cash equivalents	1%	0.00%

### *Discount Rate*

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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, 2016, 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, 2016. 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, 2016.

**WILLISTON PUBLIC SCHOOL DISTRICT #1**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 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:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of net pension liability	\$ <u>53,781,531</u>	\$ <u>41,463,698</u>	\$ <u>31,204,106</u>

***Pension Plan Fiduciary Net Position***

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

**General Information about the NDPERS Pension Plan**

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

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. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 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.

# WILLISTON PUBLIC SCHOOL DISTRICT #1

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

### *Death and Disability Benefits*

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

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

### *Refunds of Member Account Balance*

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

### *Member and Employer Contributions*

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

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

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



**WILLISTON PUBLIC SCHOOL DISTRICT #1**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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

At June 30, 2017, the District reported a liability of \$5,966,086 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of the covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2016, the District's proportion was 0.612159 percent, which was an increase of 0.172067 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$1,053,121. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 89,623	\$ 55,241
Changes of assumptions	549,997	296,395
Net difference between projected and actual earnings on pension plan investments	832,355	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,235,459	-
Employer contributions subsequent to the measurement date	<u>549,493</u>	<u>-</u>
	\$ <u>3,256,927</u>	\$ <u>351,636</u>

\$549,493 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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

2018	\$ 1,012,663
2019	463,170
2020	644,745
2021	506,374
2021	278,339
Thereafter	-

**WILLISTON PUBLIC SCHOOL DISTRICT #1**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

*Actuarial Assumptions*

The total pension liability in the July 1, 2016 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 expenses
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, 2016, 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 scale, and percent married assumption.

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

	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	31%	6.60%
International equity	21%	7.30%
Private equity	5%	10.90%
Domestic fixed income	17%	1.49%
International fixed income	5%	-0.45%
Global real assets	20%	5.24%
Cash equivalents	1%	0.00%

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2016. 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, 2016, 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

**WILLISTON PUBLIC SCHOOL DISTRICT #1**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2016. 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, 2016.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 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 (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
District's proportionate share of net pension liability	\$ <u>8,462,778</u>	\$ <u>5,966,086</u>	\$ <u>3,862,494</u>

***Pension Plan Fiduciary Net Position***

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

**NOTE 10 – 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, the 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, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$85,051 for public asset coverage.

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

The School District has worker's compensation with the Department of Workforce Safety and Insurance. The School District pays part of the health insurance premiums for their employees.

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

## **WILLISTON PUBLIC SCHOOL DISTRICT #1**

### **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

#### **NOTE 11 – CONTINGENT LITIGATION**

##### Victoria Arneson & Williston Education Association (WEA) Grievance.

On September 28, 2017, Victoria Arneson and the WEA submitted a grievance pursuant to the School's Grievance Procedure. It alleges the teacher should receive the salary outlined in her original teaching contract, instead of the amended contract the School provided to her following teacher negotiations.

All steps of the grievance procedure were gone through, which ended with the Board's decision on November 27, 2017 to deny the grievance as untimely. Members of the WEA at the board meeting indicated a possibility they would pursue further action. On June 14, 2018, the WEA and eleven teachers affected entered into a Settlement Agreement and Release of Claims, where the School agreed to pay the eleven teachers the amount listed in their original teaching contract, totaling \$16,415. The School was responsible for the attorney's fees and the settlement amount which was subject to state and federal income taxes, FICA, and Teachers Fund For Retirement (TFFR).

#### **NOTE 12 – RELATED PARTY**

In March 2017, the School District entered into an agreement with Kasmer & Aafedt Oil, Inc., which is owned by the School Board Vice-President's family, to lease land held by the School District for oil drilling. The agreement has a 36 month term and the District will receive royalties from the company for 21% of their annual proceeds.

#### **NOTE 13 – SUBSEQUENT EVENTS**

In September 2017, the School District refinanced the General Obligation School Building Bonds, Series 2015B, issued by the Bank of North Dakota for \$20 million which created a decreased yield rate. There was no change to the School District's repayment period and there is no significant effect to the financial statements.

**WILLISTON PUBLIC SCHOOL DISTRICT #1**

**REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2017**

**WILLISTON PUBLIC SCHOOL DISTRICT #1**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY**  
**LAST 10 FISCAL YEARS\***

	As of measurement date of		
	June 30, 2016	June 30, 2015	June 30, 2014
<b>North Dakota Teacher's Fund for Retirement</b>			
Employer's proportion of the net pension liability	2.801734%	2.673772%	2.393571%
Employer's proportionate share of the net pension liability	\$ 41,463,698	\$ 34,969,066	\$ 25,080,381
Employer's covered-employee payroll	\$ 18,388,340	\$ 16,446,502	\$ 13,883,985
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	225.49%	212.62%	180.64%
Plan fiduciary net position as a percentage of the total pension liability	59.2%	62.1%	99.0%
<b>North Dakota Public Employees Retirement System</b>			
Employer's proportion of the net pension liability	0.612159%	0.440092%	0.413951%
Employer's proportionate share of the net pension liability	\$ 5,966,086	\$ 2,992,550	\$ 2,627,435
Employer's covered-employee payroll	\$ 6,169,114	\$ 3,920,682	\$ 3,487,039
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	70.46%	77.15%	93.00%

\*Complete data for this schedule is not available prior to 2014.

**WILLISTON PUBLIC SCHOOL DISTRICT #1**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**LAST 10 FISCAL YEARS\***

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
<b>North Dakota Teacher's Fund for Retirement</b>				
Statutorily required contribution	\$ 2,344,514	\$ 2,096,828	\$ 1,424,497	\$ 1,492,515
Contributions in relation to the statutorily required contribution	\$ (2,344,514)	\$ (2,096,828)	\$ (1,424,497)	\$ (1,492,515)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Employer's covered-employee payroll	\$ 18,388,340	\$ 16,446,502	\$ 13,883,985	\$ 11,706,000
Contributions as a percentage of covered-employee payroll	12.75%	12.75%	10.26%	12.75%
<b>North Dakota Public Employees Retirement System</b>				
Statutorily required contribution	\$ 446,634	\$ 297,808	\$ 248,277	\$ 261,528
Contributions in relation to the statutorily required contribution	(487,626)	(333,909)	(248,277)	(261,528)
Contribution deficiency (excess)	(40,992)	(36,101)	-	-
Employer's covered-employee payroll	6,169,114	3,920,682	3,487,039	3,487,039
Contributions as a percentage of covered-employee payroll	7.90%	7.60%	7.12%	7.50%

\*Complete data for this schedule is not available prior to 2014.

**WILLISTON PUBLIC SCHOOL DISTRICT #1**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
<b>REVENUES</b>				
Local sources	\$ 16,579,288	\$ 16,579,288	\$ 17,967,722	\$ 1,388,434
State sources	27,207,768	27,207,768	26,722,534	(485,234)
Federal sources	1,399,295	1,399,295	1,123,010	(276,285)
Other sources	91,685	91,685	84,819	(6,866)
	<u>45,278,036</u>	<u>45,278,036</u>	<u>45,898,085</u>	<u>620,049</u>
<b>EXPENDITURES</b>				
Current				
Regular instruction	29,018,205	29,018,205	27,887,322	(1,130,883)
Federal programs	1,337,647	1,337,647	1,059,328	(278,319)
Special education	2,572,354	2,572,354	2,478,124	(94,230)
Vocational education	1,036,575	1,036,575	893,243	(143,332)
District wide services	2,429,469	2,429,469	2,216,429	(213,040)
Administration	1,619,871	1,619,871	1,540,919	(78,952)
Operations and maintenance	3,540,705	3,540,705	3,576,395	35,690
Transportation	807,773	807,773	718,637	(89,136)
Student activities	1,134,729	1,134,729	1,113,571	(21,158)
Community services	5,520	5,520	3,472	(2,048)
Capital outlay	5,000	5,000	2,589	(2,411)
Debt service				
Principal	1,770,188	1,770,188	1,157,323	(612,865)
Interest	-	-	475,568	475,568
	<u>45,278,036</u>	<u>45,278,036</u>	<u>43,122,920</u>	<u>(2,155,116)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>2,775,165</u>	<u>2,775,165</u>
<b>FUND BALANCE - JULY 1</b>	<u>9,479,976</u>	<u>9,479,976</u>	<u>9,479,976</u>	<u>-</u>
<b>FUND BALANCE - JUNE 30</b>	<u>\$ 9,479,976</u>	<u>\$ 9,479,976</u>	<u>\$ 12,255,141</u>	<u>\$ 2,775,165</u>



**WILLISTON PUBLIC SCHOOL DISTRICT #1**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2017**

**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:

- a) The annual budget must be prepared and School District taxes must be levied on or before the fifteenth day of August of each year.
- b) The taxes levied must be certified to the county auditor by twenty-fifth of August.
- c) The operating budget includes proposed expenditures and means of financing them.
- d) Each budget is controlled by the business manager at the revenue and expenditure function/object level.
- e) 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.
- f) All appropriations lapse at year-end.

***North Dakota Teacher's Fund for Retirement Changes of Assumptions***

Amounts reported in 2016 and later reflect the following actuarial assumption based on the results of an actuarial experiences study dated April 30, 2015.

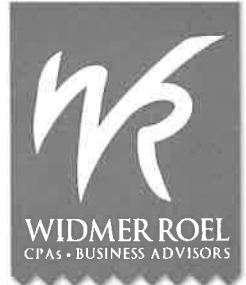
- Investment return assumption lowered from 8% to 7.75%
- Inflation assumption lowered from 3% to 2.75%
- Total salary scale rates lowered by 0.25% due to lower inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover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

***North Dakota Public Employees Retirement System Changes of Assumptions***

Amounts reported in 2017 reflect the following actuarial assumption changes effective July 1, 2016 based on the results of an actuarial experiences study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

**WILLISTON PUBLIC SCHOOL DISTRICT #1**

**SINGLE AUDIT REPORTS AND  
SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS  
JUNE 30, 2017**



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

To the Board of Directors  
**Williston Public School District #1**  
Williston, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Williston Public School District #1** as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise **Williston Public School District #1's** basic financial statements and have issued our report thereon dated January 22, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered **Williston Public School District #1's** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Williston Public School District #1's** internal control. Accordingly, we do not express an opinion on the effectiveness of the **Williston Public School District #1's** internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2017-001, 2017-002, 2017-003, 2017-004, and 2017-005 that we consider to be material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Williston Public School District #1's** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and questioned costs as items 2017-006.

## Williston Public School District #1's Response to Findings

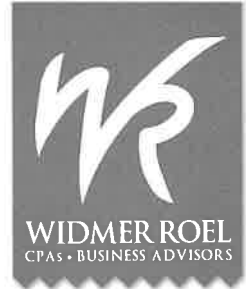
**Williston Public School District #1's** response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. **Williston Public School District #1's** response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

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



Fargo, North Dakota  
January 22, 2019



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE; AND  
REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

To the Board of Directors  
**Williston Public School District #1**  
Williston, North Dakota

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

We have audited **Williston Public School District #1'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 **Williston Public School District #1's** major federal programs for the year ended June 30, 2017. **Williston Public School District #1's** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of **Williston Public School District #1's** major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 **Williston Public School District #1's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of **Williston Public School District #1's** compliance.

### *Basis for Qualified Opinion on CFDA 84.048 Career and Technical Education – Grants to States*

As described in the accompanying schedule of findings and questioned costs, **Williston Public School District #1** did not comply with requirements regarding CFDA #84.048 Career and Technical Education – Grants to States as described in finding number 2017-007 and 2017-008 for Cash Management and 2017-009 for Period of Performance. Compliance with such requirements is necessary, in our opinion, for **Williston Public School District #1** to comply with the requirements applicable to that program.

### *Qualified Opinion on CFDA 84.048 Career and Technical Education – Grants to States*

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, **Williston Public School District #1** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Career and Technical Education – Grants to States for the year ended June 30, 2017.

### *Unmodified Opinion on CFDA 10.553, 10.555, and 10.559 Child Nutrition Cluster*

In our opinion, **Williston Public School District #1** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the year ended June 30, 2017.

### *Other Matters*

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-010. Our opinion on each major federal program is not modified with respect to these matters.

**Williston Public School District #1's** response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. **Williston Public School District #1's** response was not subject to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of **Williston Public School District #1** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered **Williston Public School District #1's** internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **Williston Public School District #1's** internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material

noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questions costs as 2017-007, 2017-008 and 2017-009, that we consider to be material weaknesses.

**Williston Public School District #1's** response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. **Williston Public School District #1's** response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

#### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Williston Public School District #1**, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise **Williston Public School District #1's** basic financial statements. We issued our report thereon dated January 22, 2019, which contained unmodified opinion on those financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Fargo, North Dakota  
January 22, 2019

**WILLISTON PUBLIC SCHOOL DISTRICT #1**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

<u>Federal Grantor/ Pass- Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed Through to Subrecipient</u>	<u>Total Federal Expenditures</u>
U.S. Department of Agriculture passed through North Dakota Department of Public Instruction				
Child Nutrition Cluster				
School Breakfast Program	10.553	None	\$ -	\$ 114,209
National School Lunch Program	10.555	None	-	573,466
National School Lunch Program-Commodities	10.555	None	-	48,423
Summer Food Service Program	10.559	None	-	21,639
Total Child Nutrition Cluster			-	757,737
Team Nutrition Training Grant	10.574	14148ND114N3511	-	1,627
		16153ND378L1603		
		16163ND378L1603		
Fresh Fruit and Vegetable Program	10.582	173ND378L1603	-	97,529
Subtotal Department of Agriculture			-	856,893
U.S. Department of Education passed through North Dakota Department of Public Instruction				
Title I Grants to Local Educational Agencies				
1003A Program Improvement	84.010	None	-	718,354
	84.010	PII01916	-	60,000
Total Title I Program			-	778,354
Education of Homeless Children and Youth English Language Acquisition, Enhancement, and Academic Achievement Program	84.196	PII02216	-	16,854
for LEP Children	84.365	None	-	12,897
Title II, Part A, Teacher and Principal Training and Recruiting Fund	84.367	PII04616	-	212,700
Grants for State Assessments and Related Activities	84.369	PII04715 & PII04716	-	25,000
State Board of Career and Technical Education Career and Technical Education - Basic Grants to States	84.048	None	-	58,899
U.S. Department of Education Direct Assistance				
Indian Education - Grants to Local Educational Agencies				
	84.060	None	-	21,850
Subtotal Department of Education			-	1,126,554
Total expenditures of federal awards			\$ -	\$ 1,983,447



# WILLISTON PUBLIC SCHOOL DISTRICT #1

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2017

### NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Williston Public School District #1 under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Williston Public School District #1, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Williston Public School District #1.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Williston Public School District #1 has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

### NOTE 3 – NONCASH AWARDS

The District received \$48,423 in commodities which are reported in the Schedule under the National School Lunch Program, CFDA #10.555. The value of the supplemental food program distributed by the District during the year is priced by the North Dakota Department of Public Instruction.

### NOTE 4 – NOT AVAILABLE (NONE)

Williston Public School District #1 was unable to obtain the pass-through entity identifying number.

**WILLISTON PUBLIC SCHOOL DISTRICT #1**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

**Financial Statements**

Type of auditor’s report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	<u>  X  </u> yes	<u>      </u> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u>      </u> yes	<u>  X  </u> none reported
Noncompliance material to financial statements noted?	<u>  X  </u> yes	<u>      </u> no

**Federal Awards**

Internal control over major programs:		
Material weakness(es) identified?	<u>  X  </u> yes	<u>      </u> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u>      </u> yes	<u>  X  </u> none reported

Type of auditor’s report issued on compliance for major programs:	
Child Nutrition Cluster (10.553, 10.555, 10.559)	Unmodified
Career and Technical Education – Basic Grants to States (84.048)	Qualified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR section 200.516(a)?	<u>  X  </u> yes	<u>      </u> no
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Identification of major programs:

CFDA Number	Name of Federal Program
10.553, 10.555, 10.559	Child Nutrition Cluster
84.048	Career and Technical Education – Basic Grants to States

Dollar threshold used to distinguish between type A and type B programs:	<u>  \$750,000  </u>
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Auditee qualified as <u>low-risk</u> auditee?	<u>      </u> yes	<u>  X  </u> no
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**WILLISTON PUBLIC SCHOOL DISTRICT #1**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**2017-001 (MATERIAL WEAKNESS) – SEGREGATION OF DUTIES**

*Condition*

The limited number of personnel prevents a proper segregation of duties to ensure adequate internal control.

*Criteria*

To ensure adequate internal control over financial reporting and prevent material misstatements due to errors or fraud, there should be a segregation of the functions of approval, custody of assets, posting, and reconciliation.

*Cause*

Due to the size of the District, it is not practical to have sufficient staff to ensure adequate segregation of approval, custody of assets, posting, and reconciliation.

*Effect*

Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees or management in the normal course of performing their assigned functions.

*Recommendation*

We recommend that management be aware of the lack of segregation of duties and implement controls wherever possible to mitigate this risk. We recommend that the District implement and/or continue the following:

- All invoices should be reviewed and approved by an administrator and the School Board.
- Ideally, all checks should be signed by a School Board member.
- The individual responsible for printing and mailing checks should be separate from the individual responsible for authorizing payments, signing checks, and preparing the bank reconciliation.
- Monthly income statements and balance sheets should be reviewed and approved by a responsible official and the School Board.
- Bank reconciliations should be reviewed and approved by someone separate from bank reconciliation responsibilities.
- Two people should be responsible for counting cash, and both individuals should sign off on all daily cash receipts.

*Views of Responsible Officials*

The District will continue to develop controls through cross training of duties and responsibilities. Any new employees in the district office have been cross trained in all duties.

**WILLISTON PUBLIC SCHOOL DISTRICT #1**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**2017-002 (MATERIAL WEAKNESS) – FINANCIAL STATEMENT PREPARATION**

***Condition***

Widmer Roel PC assists management in preparing financial statements that are presented, including note disclosures and the schedule of expenditures of federal awards, in conformity with generally accepted accounting principles.

***Criteria***

As a matter of internal control, management should be responsible for and capable of preparing financial statements, notes to the financial statements, and the schedule of expenditures of federal awards in conformity with generally accepted accounting principles.

***Cause***

The School Board feels that it is more cost effective to ask an independent accountant to prepare the complete financial statements and disclosures, rather than to invest in ongoing specialized training that would be necessary.

***Effect***

Without the assistance of the auditors, the financial statements and the schedule of expenditures of federal awards could be misstated or omit material financial statement disclosures.

***Recommendation***

We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. We further recommend that a responsible official review a current appropriate disclosure checklist or other guidance to ensure the financial statements contain all necessary disclosures.

***Views of Responsible Officials***

The District agrees with this finding and does not have the resources to prepare financial statements at this time.

**2017-003 (MATERIAL WEAKNESS) – MATERIAL AUDIT ADJUSTMENTS**

***Condition***

There were identified misstatements in the District's financial statements causing material proposed audit adjustments.

***Criteria***

A good system of internal accounting control contemplates proper reconciliation of all general ledger accounts and adjustments of those accounts to the reconciled balances on a timely basis.

***Cause***

The District has a lack of internal controls over the recording of certain transactions.

*Effect*

Inadequate internal controls over recording of transactions affects the District's ability to detect misstatements in amounts that could be material in relation to the financial statements.

*Recommendation*

We recommend that all general ledger accounts are reconciled in a timely manner and adjustments are made for any differences noted.

*Views of Responsible Officials*

The District will continue to implement controls for the reconciling of significant accounts. With the hiring of more employees, this finding should be rectified.

**2017-004 (MATERIAL WEAKNESS) – RECONCILIATION OF CASH**

*Condition*

The District's bank reconciliation did not balance to the general ledger cash amounts recorded and were not reconciled until months after year-end. There were many transactions after year-end which are included in the bank reconciliation due to the timing of the reconciliation being completed.

*Criteria*

A good system of internal accounting controls includes proper reconciliation of all general ledger accounts and adjustments of those accounts to the reconciled balances on a timely basis.

*Cause*

Manual journal entries were posted during the week of audit fieldwork to correct year-end balances between cash, certificates of deposit, and transfer accounts. Additionally, there were outstanding items older than one year.

*Effect*

Inadequate internal controls over recording of cash transactions affects the District's ability to detect misstatements in amounts that could be material in relation to the financial statements. It also does not assist in determining the amount of cash the District has to purchase services or goods.

*Recommendation*

We recommend that the Board members should be reviewing the bank reconciliations on a monthly basis to ensure all items are being properly recorded and match what is recorded in the financial statements. This will also allow the Board to identify the amount of cash held by the District.

*Views of Responsible Officials*

The District is working to complete the bank reconciliations before the following month's Board meeting and will work to implement a procedure for the School Board to review the reconciliations. With the hiring of more employees this finding should be rectified.

**WILLISTON PUBLIC SCHOOL DISTRICT #1**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**2017-005 (MATERIAL WEAKNESS) – IDENTIFYING AND RECORDING CAPITAL ASSETS**

*Condition*

Certain capital outlay expenditures in the general ledger detail were identified that should have been capitalized on the government-wide financial statements. Capital outlay expenditures in the general ledger detail related to construction in progress were identified that should be tracked and capitalized once project construction is complete and the asset is put into service.

*Criteria*

Proper internal controls include the identification and recording of capital assets and construction in progress.

*Cause*

The District has not developed a policy to ensure that expenditures related to capital asset purchases and construction in progress is tracked throughout the year to be capitalized in the government-wide financial statements.

*Effect*

Inadequate internal controls over identifying and recording capital assets transactions and construction in progress affects the District's ability to detect misstatements in amounts that could be material in relation to the financial statements.

*Recommendation*

We recommend that capital outlay expenditures related to capital asset transactions and construction in progress should be identified and properly capitalized.

*Views of Responsible Officials*

The District will work to implement a process at year-end to identify all purchases to be capitalized along with tracking construction in progress payments on a timely basis. The District is working on a process for this to ensure all activity is properly identified.

**2017-006 (NONCOMPLIANCE) – UNTIMELY FILING OF THE DATA COLLECTION FORM**

*Condition*

The School District failed to submit its Data Collection Form to the Federal Audit Clearinghouse within nine months of its year-end.

*Criteria*

As a matter of Federal grant compliance, the School District needs to ensure timely filing of the Data Collection Form.

**WILLISTON PUBLIC SCHOOL DISTRICT #1**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

*Cause*

Audited financial statements were not complete, therefore the Data Collection Form could not be filed timely.

*Effect*

The School District is not in compliance with the required filing of the Data Collection Form.

*Recommendation*

We recommend that the School District follow Federal grant requirements and ensure the audit can be performed early enough to allow the Data Collection Form to be filed within the required time limits.

*Views of Responsible Officials*

The District is working to have audits performed timely to allow for the Data Collection Form to be filed within the time limit. We are making it a priority to have records prepared in a timely manner. The turnover of office staff has made this process a challenge, but should improve going forward.

**SECTION III – MAJOR FEDERAL AWARD PROGRAM FINDINGS**

**2017-007 (MATERIAL WEAKNESS IN COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE) – REIMBURSEMENTS GREATER THAN EXPENDITURES**

**84.048 Career and Technical Education – Basic Grants to States for the year ended June 30, 2017**  
**Cash Management**

*Condition*

During testing of disbursements, there was a difference of \$131.19 between the actual expenditures during the year and the amount requested for reimbursement.

*Criteria*

The amount of actual expenditures should match the amount that is requested for reimbursement.

*Cause*

The difference is due to the original sales order including a specific item at a higher amount which was not available when the District made the purchase later in the month. The purchase was later made from a different vendor who offered a lower price.

*Effect*

The District received more in federal award reimbursement in Agriculture equipment along with additional reimbursement for administration costs which is calculated at 5% of the total disbursement during the year.

**WILLISTON PUBLIC SCHOOL DISTRICT #1**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

*Recommendation*

We recommend that the reimbursement requests match to actual amounts paid to vendors during the grant period for expenditures that are allowable under the Career and Technical Education (CTE) program.

*Views of Responsible Officials*

The District will reconcile this grant before year end each year.

**2017-008 (MATERIAL WEAKNESS IN COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE) – DISBURSEMENT TO CONSORTIUM SCHOOL DISTRICT**

**84.048 Career and Technical Education – Basic Grants to States for the year ended June 30, 2017**  
**Cash Management**

*Condition*

During the current year, the District received \$3,795.95 for Eight Mile (Trenton) Schools that should have been paid out to Eight Mile (Trenton) Schools for allowable expenditures submitted to North Dakota CTE.

*Criteria*

The District's CTE program is administered through a consortium where the District acts as the fiscal agent for area schools who do not meet the qualifications to receive their federal funding directly but qualify for funding through other benchmarks such as poverty level.

*Cause*

The District mentioned that they were not aware that they received a portion of Eight Mile (Trenton) Schools request for reimbursement which was handled through North Dakota CTE.

*Effect*

The District has more federal funding on hand at year-end due to the actual expenditures occurring at Eight Mile (Trenton) Schools.

*Recommendation*

We recommend that the District monitor their reimbursements to determine whether or not the reimbursements received should stay at the District or need to be remitted to other districts.

*Views of Responsible Officials*

The District will be in communication with other districts that participate in this grant but may be using Williston Public Schools as a pass-through.



**WILLISTON PUBLIC SCHOOL DISTRICT #1**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**2017-009 (MATERIAL WEAKNESS IN COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE) – IMPROPER PERIOD OF REPORTED DISBURSEMENT**

**84.048 Career and Technical Education – Basic Grants to States for the year ended June 30, 2017**  
**Period of Performance**

*Condition*

During the current year, the District had travel expenditures of \$2,558.50 relating to the annual conference that occurred in the prior fiscal year but were reported and reimbursed during the current grant period.

*Criteria*

The District's allowable expenditures that occur during the current grant period should be reported during the same period.

*Cause*

The District understood that the expenditures relating to the annual conference could occur in the fiscal year before the conference but would be reported in the year that the conference was held. North Dakota CTE also noted that the travel expenditures had not previously required support documentation when they were uploaded to the reimbursement form which is why the expenditures were reimbursed when they were requested during the current grant period.

*Effect*

The District's annual allocation from North Dakota CTE could be skewed based on when the expenditures are reported and when they actually occur at the District.

*Recommendation*

We recommend that the District request reimbursements in the period that they occurred and get approval from North Dakota CTE for any expenditures that are outside of the period of performance and retain the approval documentation.

*Views of Responsible Officials*

The District will work with grant to receive approval based on the guidelines of the grant.

**WILLISTON PUBLIC SCHOOL DISTRICT #1**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**2017-010 (MATERIAL WEAKNESS IN COMPLIANCE) – MISSING REMOVAL FROM PROGRAM**

**Child Nutrition Cluster for the year ended June 30, 2017**

**10.553 School Breakfast Program (SBP)**

**10.555 National School Lunch Program (NSLP)**

**10.559 Summer Food Service Program (SFSP)**

**Eligibility and Special Tests and Provisions**

*Condition*

During the current year, the District had one student that was not able to verify household income and was not removed from the program by the November 15<sup>th</sup> deadline.

*Criteria*

Each year, the District is required to verify a sample of students who were determined eligible for free or reduced meals during the school year.

*Cause*

Understaffing at the District and operating a new feeding site (new High School opened in FY 2017) causing removal of the student to be missed before the deadline date.

*Effect*

The District inappropriately collected reimbursement for a student who should have been removed from the program from November 15, 2016 to January 6, 2017.

*Recommendation*

We recommend that the District create reminders to remove students who do not verify the eligibility for the Child Nutrition Cluster program by the November 15<sup>th</sup> deadline and have procedures in place to properly change the student's meal price settings in NutriKids.

*Views of Responsible Officials*

The District will implement procedures to ensure that the program director properly removes a family from receiving free or reduced meals if they are unable to verify the household income if requested.

**WILLISTON PUBLIC SCHOOL DISTRICT #1**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**2015-B (MATERIAL WEAKNESS) FINANCIAL STATEMENTS PREPARATION**

***Condition***

Widmer Roel PC assists management in preparing financial statements that are presented, including note disclosures and the schedule of expenditures of federal awards, in conformity with generally accepted accounting principles.

***Recommendation***

We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. We further recommend that a responsible official review a current appropriate disclosure checklist or other guidance to ensure the financial statements contain all necessary disclosures.

***Current Status***

Current staff size prevents resolution of the finding. The finding remains open and is reported as 2017-002.

**2015-C (MATERIAL WEAKNESS) MATERIAL AUDIT ADJUSTMENTS**

***Condition***

We identified misstatements in the District's financial statements causing us to propose material audit adjustments.

***Recommendation***

We recommend that all general ledger accounts are reconciled in a timely manner and adjustment made for any differences noted.

***Current Status***

Similar audit adjustments were required during this audit. The finding remains open and is reported as 2017-003.

**2015-D (MATERIAL WEAKNESS) SEGRAGATION OF DUTIES**

***Condition***

The limited number of personnel prevents a proper segregation of duties to ensure adequate internal control.

***Recommendation***

We recommend that management be aware of the lack of segregation of duties and implement controls wherever possible to mitigate this risk. We recommend that the District implement and/or continue the following:

- All invoices should be reviewed and approved by an administrator and the School Board.
- Ideally, all checks should be signed by a School Board member.
- The individual responsible for printing and mailing checks should be separate from the individual responsible for authorizing payments, signing checks, and preparing the bank reconciliation.

**WILLISTON PUBLIC SCHOOL DISTRICT #1**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

- Monthly income statements and balance sheets should be reviewed and approved by a responsible official and the School Board.
- Bank reconciliations should be reviewed and approved by someone separate from bank reconciliation responsibilities.
- Two people should be responsible for counting cash, and both individuals should sign off on all daily cash receipts.

***Current Status***

Current staff size prevents resolution of the finding. The finding remains open and is reported as 2017-001.

**2015-F (MATERIAL WEAKNESS) RECONCILIATION OF CASH**

***Condition***

The District's bank reconciliations did not balance to the general ledger cash amounts recorded and were not reconciled until months after year-end. There were many transactions after year-end which were included in the bank reconciliation due to the timing of the reconciliation being completed.

***Recommendation***

We recommend that the Board members should be reviewing the bank reconciliation on a monthly basis to ensure all items are being properly recorded and match what is recorded on the District's financial statements. This will also allow the Board to identify the amount of cash held by the District.

***Current Status***

The District has not implemented the corrective action plan that was described in the prior year audit report. The finding remains open and is reported as 2017-004.

**2015-G (SIGNIFICANT DEFICIENCY) CASH DISBURSEMENTS**

***Condition***

There is no formal documentation of approval of check disbursements, and a signature stamp is used whereby the signature stamp signers are not reviewing a copy of the checks, including supporting documentation.

***Recommendation***

We recommend that the Business Manager review and sign off on the check register to agree to the approved invoice listing report. We recommend that bank reconciliation be reviewed and signed off in conjunction with the review of the bank statements and any cancelled check copies.

***Current Status***

The District has implemented some of the corrective action plan that was described in the prior year audit report. The finding was lowered to a communicated control deficiency in the current year.

**WILLISTON PUBLIC SCHOOL DISTRICT #1**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**2015-H (MATERIAL WEAKNESS) IDENTIFYING AND RECORDING CAPITAL ASSETS**

*Condition*

Certain capital outlay expenditures in the general ledger detail were identified that should have been capitalized on the government-wide financial statements. Capital outlay expenditures in the general ledger detail related to construction in progress were identified that should be tracked and capitalized once project construction is complete and the asset is put into service.

*Recommendation*

We recommend that capital outlay expenditures related to capital asset transactions and construction in progress should be identified and properly capitalized.

*Current Status*

The District has not implemented the corrective action plan that was described in the prior year audit report. The finding remains open and is reported as 2017-005.

**2016-007 (NONCOMPLIANCE) UNTIMELY FILING OF THE DATA COLLECTION FORM**

*Condition*

The School District failed to submit its Data Collection Form to the Federal Audit Clearinghouse within nine months of its year-end.

*Recommendation*

We recommend that the School District follow Federal grant requirements and ensure the audit can be performed early enough to allow the Data Collection Form to be filed within the required time limits.

*Current Status*

The District has not implemented the corrective action plan that was described in the prior year audit report. The finding remains open and is reported as 2017-006.

**2016-008 (MATERIAL WEAKNESS IN INTERNAL CONTROL OVER COMPLIANCE AND MATERIAL NONCOMPLIANCE) – LACK OF MONITORING OF DOCUMENTATION FOR EXPENDITURES**

**84.287 Twenty-First Century Community Learning Center #PII06615-16 for the year ended June 30, 2016  
Allowable Costs & Activities**

*Condition*

During testing of disbursements, it was noted that the School District received summary pages for the expenditures, but does not review monitoring as a part of its underlying supporting documentation.

**WILLISTON PUBLIC SCHOOL DISTRICT #1**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

***Recommendation***

We recommend that the School District require monthly summary pages for requests for reimbursement to subrecipients be accompanied by invoices or other support as documentation for the expenditures and they be maintained by the School District for adequate support. Review of the underlying supporting documentation should be incorporated into the School District's subrecipient monitoring procedures.

***Current Status***

The School District no longer operates this program as the fiscal agent; therefore, this finding is considered closed.

**2016-009 (MATERIAL WEAKNESS IN INTERNAL CONTROL OVER COMPLIANCE AND MATERIAL NONCOMPLIANCE) – MONITORING OF PROGRAM INCOME**

**84.287 Twenty-First Century Community Learning Center #PII06615-16 for the year ended June 30, 2016  
Program Income**

***Condition***

During testing of program income, it was noted that the School District received deposits for fees that were billed and collected by a subrecipient, but did not review underlying supporting documentation for the program income.

***Recommendation***

We recommend that the School District implement internal controls to ensure that program fees are supported by appropriate documentation. Review of the underlying supporting documentation should be incorporated into the School District's procedures to monitor subrecipients.

***Current Status***

The School District no longer operates this program as the fiscal agent; therefore, this finding is considered closed.

# Williston Public School District #1

Dr. Jeffrey Thake, Superintendent  
Post Office Box 1407  
Williston, ND 58802-1407  
Phone (701) 572-1580  
Fax (701) 572-3547

Joanna Baltes, Board President  
Thomas Kalil, Vice President

Heather Wheeler, Director  
Sara Kasmer, Director  
Dr. Theresa Hegge, Director

## VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION

The Williston Public School District #1 respectfully submits the following views of responsible officials and planned corrective action for the year ended June 30, 2017.

Name and address of independent public accounting firm:

Widmer Roel PC  
4334 18<sup>th</sup> Avenue S, Suite 101  
Fargo, ND 58103-7414

Audit period: June 30, 2017

The findings from the June 30, 2017 Schedule of Findings and Responses are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

## FINDINGS – FINANCIAL STATEMENT AUDIT

### 2017-001 – SEGREGATION OF DUTIES

#### *Finding*

The limited number of personnel prevents a proper segregation of duties to ensure adequate internal control. Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees or management in the normal course of performing their assigned functions.

Management should be aware of the lack of segregation of duties and implement controls wherever possible to mitigate this risk. The District should implement and/or continue the following:

- All invoices should be reviewed and approved by an administrator and the School Board.
- Ideally, all checks should be signed by a School Board member.
- The individual responsible for printing and mailing checks should be separate from the individual responsible for authorizing payments and signing checks.
- Monthly income statements and balance sheets should be reviewed and approved by a responsible official and the School Board.

- Bank reconciliations should be reviewed and approved by someone separate from bank reconciliation responsibilities.
- Two people should be responsible for counting cash, and both individuals should sign off on all daily cash receipts.

*Views of Responsible Officials and Planned Corrective Action*

The District will continue to develop controls through cross training of duties and responsibilities. Any new employees in the district office have been cross trained in all duties.

**2017-002 PREPARATION OF GAAP FINANCIAL STATEMENTS**

*Finding*

Currently, Widmer Roel PC assists management in preparing financial statements that are presented, including footnote disclosures, in conformity with generally accepted accounting principles of the United States. This is not unusual in organizations of your size, but we believe management should constantly be aware of this condition.

The Business Manager should review all financial statement groupings and schedules documenting the calculation of amounts included in the notes to the financial statements. In addition, a current disclosure checklist should be reviewed and answered to ensure the propriety and completeness of the footnotes.

*Views of Responsible Officials and Planned Corrective Action*

The District agrees with this finding and does not have the resources to prepare financial statements at this time.

**2017-003 – MATERIAL AUDIT ADJUSTMENTS**

*Finding*

There were identified misstatements in the District's financial statements causing material proposed audit adjustments. Inadequate internal controls over recording of transactions affects the District's ability to detect misstatements in amounts that could be material in relation to the financial statements.

All general ledger accounts should be reconciled in a timely manner and adjustments are made for any differences noted.

*Views of Responsible Officials and Planned Corrective Action*

The District will continue to implement controls for the reconciling of significant accounts. With the hiring of more employees, this finding should be rectified.

**2017-004 – RECONCILIATION OF CASH**

*Finding*

The District's bank reconciliation did not balance to the general ledger cash amounts recorded and were not reconciled until months after year-end. There were many transactions after year-end which are included in the bank



reconciliation due to the timing of the reconciliation being completed. Inadequate internal controls over recording of cash transactions affects the District's ability to detect misstatements in amounts that could be material in relation to the financial statements. It also does not assist in determining the amount of cash the District has to purchase services or goods.

The Board members should be reviewing the bank reconciliations on a monthly basis to ensure all items are being properly recorded and match what is recorded in the financial statements. This will also allow the Board to identify the amount of cash held by the District.

*Views of Responsible Officials and Planned Corrective Action*

The District is working to complete the bank reconciliations before the following month's Board meeting and will work to implement a procedure for the School Board to review the reconciliations. With the hiring of more employees this finding should be rectified.

**2017-005 – IDENTIFYING AND RECORDING CAPITAL ASSETS**

*Finding*

Certain capital outlay expenditures in the general ledger detail were identified that should have been capitalized on the government-wide financial statements. Capital outlay expenditures in the general ledger detail related to construction in progress were identified that should be tracked and capitalized once project construction is complete and the asset is put into service. Inadequate internal controls over identifying and recording capital assets transactions and construction in progress affects the District's ability to detect misstatements in amounts that could be material in relation to the financial statements.

Capital outlay expenditures related to capital asset transactions and construction in progress should be identified and properly capitalized.

*Views of Responsible Officials and Planned Corrective Action*

The District will work to implement a process at year-end to identify all purchases to be capitalized along with tracking construction in progress payments on a timely basis. The District is working on a process for this to ensure all activity is properly identified.

**2017-010 – UNTIMELY FILING OF THE DATA COLLECTION FORM**

*Finding*

The School District failed to submit its Data Collection Form to the Federal Audit Clearinghouse within nine months of its year-end.

The School District should follow Federal grant requirements and ensure the audit can be performed early enough to allow the Data Collection Form to be filed within the required time limits.

*Views of Responsible Officials and Planned Corrective Action*

The District is working to have audits performed timely to allow for the Data Collection Form to be filed within the time limit. We are making it a priority to have records prepared in a timely manner. The turnover of office staff has made this process a challenge, but should improve going forward.

## **FINDINGS – MAJOR FEDERAL AWARD PROGRAMS**

### **2017-007 – REIMBURSEMENTS GREATER THAN EXPENDITURES**

#### **84.048 Career and Technical Education – Basic Grants to States; Cash Management**

##### ***Finding***

The School District had more funding reimbursed than the actual expenditures during the current grant period due to differences in the sales order and the equipment that was shipped to the School District.

The School District should review their reimbursement requests to match the actual vendor payments during the grant period to the annual report which lists all of allowable expenditures for the North Dakota Career and Technical Education (CTE) program.

##### ***Views of Responsible Officials and Planned Corrective Action***

The District will reconcile this grant before year end each year.

### **2017-008 – DISBURSEMENT TO CONSORITUM SCHOOL DISTRICT**

#### **84.048 Career and Technical Education – Basic Grants to States; Cash Management**

##### ***Finding***

The School District did not disburse a portion of the reimbursement that was received for a member school district. The School District was made away of the extra reimbursement from North Dakota CTE including the amount and the payee for the payment.

The School District should monitor their reimbursements to determine whether or not the reimbursements received should stay at the School District or if they need to be remitted to other districts.

##### ***Views of Responsible Officials and Planned Corrective Action***

The District will be in communication with other districts that participate in this grant but may be using Williston Public Schools as a pass-through.

### **2017-009 – IMPROPER PERIOD OF REPORTED DISBURSEMENT**

#### **84.287 Twenty-First Century Community Learning Center; Period of Performance**

##### ***Finding***

The School District requested reimbursement for expenditures that occurred during the prior grant period for a national leadership conference.

The School District should request reimbursements in the period that they occur and get approval from North Dakota CTE for any expenditures that are outside of the grant period and retain approval documentation.

##### ***Views of Responsible Officials and Planned Corrective Action***

The District will work with grant to receive approval based on the guidelines of the grant.

Sincerely yours,



Jodi Germundson, CPA  
Business Manager  
Williston Public School District #1