Financial Statements
June 30, 2018

Williams County School District No. 8

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Elected	Position
Jenny Jorgenson	President
Curt Sullivan	Vice President
Deanna Senior	Director
Amber Anderson	Director
Caleb Messick	Director
Administration	
Rob Turner	Superintendent
Steven Guglich	Principal
Brenda Herland	Principal
Robert Smith	Principal
Sherri Heser	Business Manager

Independent Auditor's Report

To the School Board
Williams County School District No. 8
Williston, North Dakota

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities and each major fund of Williams County School District No. 8, Williston, ND (School District) as of and for the year ended June 30, 2018, 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.

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Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Williams County School District No. 8, Williston, North Dakota, as of June 30, 2018, 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.

Change in Accounting Principle
As discussed in Notes 1 and 10 to the financial statements, the School District has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which has resulted in a restatement of the net position as of July 1, 2017. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the budgetary comparison information, Schedule of Employer's Share of Net Pension Liability, Schedule of Employer's Share of Net OPEB Liability, and Schedule of Employer's Contributions 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 the missing information.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Williams County School District No. 8, Williston, North Dakota's financial statements. The School District Officials are presented for purposes of additional analysis and are not a required part of the financial statements. Such information 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 April 9, 2019, on our consideration of Williams County School District No. 8, Williston, North Dakota'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 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 the School District's internal control over financial reporting and compliance.

Eide Bailly LLP

Bismarck, North Dakota
April 9, 2019

Assets	
Cash	$ 17,028,767
Taxes receivable	887,836
Intergovernmental receivable	92,939
Due from County Treasurer	58,088
Capital assets not being depreciated	
Land	600,000
Construction in progress	15,312,607
Capital assets (net of accumulated depreciation)	
Buildings	2,436,501
Furniture and equipment	354,072
Land improvements	74,051
Vehicles and equipment	755,823
Total capital assets	19,533,054
Total assets	37,600,684
Deferred Outflows of Resources	
Other post-employment benefits	15,900
Pension plans	1,928,623
Total deferred outflows of resources	1,944,523
Liabilities	
Salaries and benefits payable	229,510
Retainage payable	719,434
Long-term liabilities	
Due within one year	
Compensated absences	75,124
Bonds payable, net of premium	539,505
Due after one year	
Bonds payable, net of premium	11,416,584
Net OPEB liability	52,874
Net pension liability	5,352,587
Total liabilities	18,385,618
Deferred Inflows of Resources	
Other post-employment benefits	3,289
Pension plans	372,775
Total deferred inflows of resources	376,064
Net Position	
Net investment in capital assets	10,211,262
Restricted for capital projects	8,570,542
Unrestricted	2,001,721
Total net position	$ 20,783,525

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net Revenue (Expense) and Changes in Net Position
Governmental activities				
Regular programs	$ 3,808,465	$ -	$ -	$ (3,808,465)
Tuition and assessments	963,804	-	-	(963,804)
Administration	721,345	-	-	(721,345)
Operation and maintenance of plant	780,202	-	-	(780,202)
Student transportation	479,986	-	-	(479,986)
Student activities	18,293	1,655	-	(16,638)
School food services	280,210	90,760	108,182	(81,268)
Interest	335,670	-	-	(335,670)
Total governmental activities	$ 7,387,975	$ 92,415	$ 108,182	(7,187,378)
General Revenues				
Taxes				
Property taxes; levied for general purposes				5,199,138
Property taxes; levied for high school tuition				841,361
Property taxes; levied for building purposes				1,274,509
In lieu of taxes				480,150
Oil and gas production				591,771
State aid not restricted to specific program				4,464,773
Earnings on investments				96,489
Mineral and oil royalties				127,366
Miscellaneous revenue				8,424
Total general revenues				13,083,981
Loss on disposal of capital assets				(9,774)
Change in net position				5,886,829
Net position - July 1, as previously reported				14,949,770
Net position - July 1, as restated (Note 10)				14,896,696
Net position - June 30				$ 20,783,525

	General Fund	Building Fund	Total Governmental Funds
Assets			
Cash	$ 4,779,691	$ 12,249,076	$ 17,028,767
Due from General Fund	-	1,482,145	1,482,145
Taxes receivable	724,784	163,052	887,836
Intergovernmental receivable	92,939	-	92,939
Due from County Treasurer	43,767	14,321	58,088
Total assets	$ 5,641,181	$ 13,908,594	$ 19,549,775
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Salaries and benefits payable	$ 229,510	$ -	$ 229,510
Due to Building Fund	1,482,145	-	1,482,145
Retainage payable	719,434	-	719,434
Total liabilities	2,431,089	-	2,431,089
Deferred Inflows of Resources			
Unavailable revenue-property taxes	724,784	163,052	887,836
Fund Balances			
Restricted for building fund	-	8,570,542	8,570,542
Assigned for building fund	-	5,175,000	5,175,000
Unassigned	2,485,308	-	2,485,308
Total fund balances	2,485,308	13,745,542	16,230,850
Total liabilities, deferred inflows of resources, and fund balances	$ 5,641,181	$ 13,908,594	$ 19,549,775

Total fund balances for governmental funds		$ 16,230,850
Total net position reported for government activities in the statement of net position is different because		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds		
Cost of capital assets	$ 21,967,076	
Less accumulated depreciation	(2,434,022)	
Net capital assets		19,533,054
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 in the funds.		887,836
Deferred outflows and inflows of resources related to other post-employment benefits are applicable to future periods and, therefore, are not reported in the funds.		12,611
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		1,555,848
Long-term liabilities applicable to the School District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term are reported in the statement of net position. Balances at June 30, 2018 are:		
Net OPEB liability	$ (52,874)	
Compensated absences	(75,124)	
Bonds payable, net of premium	(11,956,089)	
Net pension liability	(5,352,587)	
Total long-term liabilities		(17,436,674)
Total net position of governmental activities		$ 20,783,525

	General Fund	Building Fund	Total Governmental Funds
Revenues			
Local sources	$ 6,347,195	$ 1,439,339	$ 7,786,534
County sources	228	-	228
State sources	5,065,048	-	5,065,048
Federal sources	99,624	-	99,624
Other sources	8,250	-	8,250
Total revenues	11,520,345	1,439,339	12,959,684
Expenditures			
Current			
Regular programs	3,389,488	-	3,389,488
Tuition and assessments	963,804	-	963,804
Administration	721,345	-	721,345
Operation and maintenance of plant	764,348	-	764,348
Student transportation	412,270	-	412,270
Student activities	18,293	-	18,293
School food services	280,210	-	280,210
Capital outlay	5,244,642	8,602,358	13,847,000
Debt service			
Principal	-	515,000	515,000
Interest	-	345,175	345,175
Total expenditures	11,794,400	9,462,533	21,256,933
Net change in fund balances	(274,055)	(8,023,194)	(8,297,249)
Fund Balance - July 1	2,759,363	21,768,736	24,528,099
Fund Balance - June 30	$ 2,485,308	$ 13,745,542	$ 16,230,850

Net change in fund balances - total governmental funds		$ (8,297,249)
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures and proceeds from the sale of assets increase financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense and only the gain or loss on the disposal of assets is reported.		
Current year capital outlay	$ 13,847,000	
Current year depreciation expense	(302,910)	
Loss on disposal of capital assets	(9,774)	
Net amount		13,534,316
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal payments		515,000
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		(54,611)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		324,894
Governmental funds report the effect of bond premiums when debt is first issued, whereas these amounts are amortized in the statement of activities.		9,505
Changes to net OPEB liability and OPEB related to deferred outflows and inflows do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		12,811
Changes to net pension liability and pension related to deferred outflows and inflows do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(157,837)
Change in net position of governmental activities		$ 5,886,829

Note 1 - Summary of Significant Accounting Policies

The financial statements of Williams County School District No. 8, Williston, North Dakota (School District), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity

The accompanying financial statements present the net position of Williams County School District No. 8. 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 is such that exclusion would cause the school district's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of Williams County School District No. 8 to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on Williams County School District No. 8.

Based on these criteria, there are no component units to be included with Williams County School District No. 8 as a reporting entity.

Basis of Presentation, Basis of Accounting

Government-wide statements - The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the primary government. Governmental 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. There are no reported business-type activities.

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 customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The school district reports the following major governmental funds:

General Fund – This is the school 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 is a capital projects fund used to account for additions and certain repairs to the buildings owned by the district and will be used to repay the bonds issued to finance the construction of capital asset projects in future years.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund service provided.

Capital Assets

Capital assets include plant and equipment and 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 assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

Buildings	10-50 years
Furniture and equipment	10 years
Land improvements	20 years
Vehicles and equipment	8 years

Compensated Absences

Vested or accumulated vacation leave is reported in the government-wide statement of net position. Compensation for unused vacation leave will be granted to the superintendent and business manager upon termination of employment with the school district. Vacation benefits are negotiated with each individual's contract. Teachers are not provided with vacation benefits.

Deferred Outflows and Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has three items that qualify for reporting in this category. The 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. The second item is changes in the net pension liability not included in pension expense reported in the government-wide statement of net position. The third item is changes in the net OPEB liability not included in the OPEB 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 statement of net position.

Interfund Transactions

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

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

In the government-wide financial statements, interfund transactions have been eliminated.

Net Position and Fund Balance

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statements when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned.

- Nonspendable fund balance represents a portion of fund balance that includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.
- Restricted fund balance represents a portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which is the School Board, through ordinance or resolution.
- Assigned fund balance represents amounts constrained by the government's intent to be used for specific purposes, but neither restricted nor committed. Fund balance may be assigned by the Business Manager.
- Unassigned fund balance represents residual classification for the general fund. This classification represents fund balance not assigned to other funds and not restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it would be necessary to report a negative unassigned fund balance.

The School District uses *restricted* amounts first when both restricted and unrestricted fund balance is 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.

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.

Other Post Employment Benefits (OPEB)

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

Implementation of GASB Statement No. 75

As of July 1, 2017, the School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this standard replaces the requirements of GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* and requires governments calculate and report the costs and obligations associated with postemployment benefits other than pensions (OPEB) in their basic financial statements. Employers are required to recognize OPEB amounts for all benefits provided through the plan which include the Net OPEB Liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense. The effect of the implementation of this standard on beginning net position is disclosed in Note 10 and the additional disclosures required by these standards are included in Note 8.

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 state, and private agencies for amounts withheld from teacher's salaries as of June 30.

Note 2 - Deposits and Investments

In accordance with North Dakota Statutes, the school district maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System. Deposits must either be deposited with the Bank of North Dakota or in 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 equal to 110% of the deposits not covered by insurance or bonds.

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

Custodial Credit Risk

Custodial credit risk is the risk that an entity will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party if the counterparty fails. At June 30, 2018, the school district's carrying amount of deposits was $17,028,767 and the bank balance was $19,283,130. Of the bank balance, $250,000 was covered by Federal Depository Insurance. The remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name. Williams County School District No. 8

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.

Credit Risk

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

a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an Act of Congress.

b) 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.

Concentration of Credit Risk

The school district does not have a limit on the amount the district may invest in any one issuer.

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 balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount on property taxes is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

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

Note 4 - Due from County Treasurer

The amount due from county treasurer consists of the cash on hand for taxes collected but not remitted to the school at June 30.

Note 5 - Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2018:

Governmental Activities	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets, not being depreciated				
Land	$ 600,000	$ -	$ -	$ 600,000
Construction in progress	1,767,407	13,545,200	-	15,312,607
Total capital assets, not being depreciated	2,367,407	13,545,200	-	15,912,607
Capital assets, being depreciated				
Buildings	4,010,297	-	-	4,010,297
Furniture and equipment	893,727	-	-	893,727
Land Improvements	78,491	-	-	78,491
Vehicles and equipment	933,384	366,765	(228,195)	1,071,954
Total capital assets, being depreciated	5,915,899	366,765	(228,195)	6,054,469
Less accumulated depreciation for				
Buildings	1,423,765	150,031	-	1,573,796
Furniture and equipment	468,921	70,734	-	539,655
Land Improvements	515	3,925	-	4,440
Vehicles and equipment	391,367	78,220	(153,456)	316,131
Total accumulated depreciation	2,284,568	302,910	(153,456)	2,434,022
Capital assets being depreciated, net	3,631,331	63,855	(74,739)	3,620,447
Governmental activities capital assets, net	$ 5,998,738	$ 13,609,055	$ (74,739)	$ 19,533,054

Construction in progress is related to the construction of a new school building. The School District had outstanding commitments for construction contracts related to the building of the new school of approximately $19,693,426 as of June 30, 2018, of which $15,312,607 was paid as of June 30, 2018.

Depreciation expense was charged to functions/programs of the school district as follows:

Governmental activities	
Regular programs	$ 219,340
Operation and maintenance of plant	15,854
Student transportation	67,716
Total depreciation expense - governmental activities	$ 302,910

Note 6 - Long-Term Debt

Changes in Long-Term Liabilities

During the year ended June 30, 2018, the following changes occurred in liabilities reported in long-term liabilities:

Governmental Activities

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018	Due Within One Year
Compensated absences	$ 20,513	$ 74,595	$ (19,984)	$ 75,124	$ 75,124
Bonds payable	12,300,000	-	(515,000)	11,785,000	530,000
Bond premiums	180,594	-	(9,505)	171,089	9,505
Total	$ 12,501,107	$ 74,595	$ (544,489)	$ 12,031,213	$ 614,629

Outstanding debt at June 30, 2018 (excluding compensated absences) consisted of the following issues:

$8,000,000 Limited Tax Building Fund Bonds, Series 2017A; due in annual installments of $524,950 to $529,725 through August 1, 2036; interest at 2.0% to 3.5% paid annually.	$ 7,255,000
$5,000,000 Limited Tax Building Fund Bonds, Series 2017B; due in annual installments of $332,250 to $337,400 through August 1, 2036; interest at 2.0% to 3.5% paid annually.	4,530,000
	$ 11,785,000

The Series 2017A bonds were issued for the purposes of providing funds, together with any other funds available, to finance the construction of a new middle school and to otherwise improve school facilities and property. The Series 2017B bonds were issued as a current refunding of certificates of indebtedness issued to finance the construction of the new middle school and to otherwise improve school facilities and property. The transaction did not result in an economic gain or loss. The Series 2017A and 2017B bonds are limited obligations of the School District payable from the proceeds of the School District's building fund tax levy. The bonds are payable through 2036. The total principal and interest remaining to be paid on the bonds is $15,690,590. Principal payments of $515,000 and interest payments of $345,175 were made in the current year using building fund resources. The building fund tax revenues were $1,274,509 in the current year. The building fund was used to make the debt service payments on the bonds in the current year and will be used to make the debt service payments in future years.

Debt service requirements on long-term debt at June 30, 2018 are as follows:

	Principal	Interest
Year Ending December 31		
2019	$ 530,000	$ 344,380
2020	540,000	333,780
2021	550,000	322,980
2022	560,000	311,980
2023	570,000	300,780
2024-2028	3,070,000	1,283,525
2029-2033	3,550,000	808,500
2034-2036	2,415,000	199,665
	$ 11,785,000	$ 3,905,590

Note 7 - Risk Management

Williams County School District No. 8 is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986 state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. Williams County School District No. 8 pays an annual premium to NDIRF for its general liability, automobile insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and automobile and to $12,793 for inland marine coverage.

Williams County School District No. 8 also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The school district pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by 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 political subdivision 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.

Williams County School District No. 8 has workers compensation with the North Dakota Workforce Safety and Insurance. The district also purchases commercial health insurance for employees, limited to $641 for a single plan, $1,128 for dependent plan and $1,666 for family plan.

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

Note 8 - Other Postemployment Benefits (OPEB)

A. Plan Description

The School District participates in the following other postemployment benefit plan:

North Dakota Public Employees Retirement System (NDPERS)

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

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

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

B. OPEB Benefits and Contributions

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds.

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

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

C. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the School District reported a liability of $52,874 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of July 1, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2017, the School District's proportion was .066844 percent.

For the year ended June 30, 2018, the School District recognized OPEB expense of $6,576. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,290
Changes in assumptions	5,121	-
Net difference between projected and actual earnings on OPEB plan investments	-	1,999
Changes in proportion and differences between employer contributions and proportionate share of contributions	699	-
School District's contributions subsequent to the measurement date	10,080	-
Total	$ 15,900	$ 3,289

$10,080 reported as deferred outflows of resources related to OPEB resulting from the School District’s contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

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

Year Ended June 30		
2019	$	210
2020		210
2021		210
2022		210
2023		710
Thereafter		981

D. Actuarial assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Not applicable
Investment rate of return	7.50%, net of investment expenses
Healthcare cost trend rate	Not applicable

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, 2017, funding actuarial valuation for NDRHIC.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Lg Cap Domestic Equities	37.0%	5.80%
Sm Cap Domestic Equities	9.0%	7.05%
International Equities	14.0%	6.20%
Core-Plus Fixed Income	40.0%	1.56%
	100.0%	

The discount rate used to measure the total OPEB liability was 7.50%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made and no future employer contributions will be made. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

E. Sensitivity of the School District's proportionate share of the net OPEB liability to changes in the discount rate.

The following presents the net OPEB liability of the School District's proportionate share, calculated using the discount rate of 7.50%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School District's proportionate share of the net OPEB liability	$ 66,192	$ 52,874	$ 41,459

OPEB Fiduciary Net Position

Detailed information about the OPEB's fiduciary net position is available in the separately issued NDPERS financial reports.

Note 9 - Pension Plans

A. Plan Descriptions

The School District participates in the following defined benefit pension plans:

North Dakota Teachers' Fund for Retirement (TFFR)

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

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

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

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.

B. Pension Benefits

TFFR

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

Tier 1 Grandfathered

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

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

Tier 1 Non-Grandfathered

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

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

Tier 2

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

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

NDPERS

Benefits are set by statute. NDPERS has no provision 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.

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.

C. Death and Disability Benefits

TFFR

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.

NDPERS

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

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

D. Refunds of Member Account Balance

TFFR

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.

NDPERS

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.

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

E. Member and Employer Contributions

TFFR

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.

NDPERS

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation plus an additional 1.14% for Retiree Health Insurance Credit.

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

TFFR

At June 30, 2018, the School District reported a liability of $4,213,987 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2017, the School District's proportion was 0.30680074 percent which was a decrease of 0.00606841 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized pension expense of $235,578. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 16,164	$ 46,002
Changes in assumptions	300,357	-
Net difference between projected and actual earnings on pension plan investments	58,207	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	295,544
School District's contributions subsequent to the measurement date	830,630	-
Total	$ 1,205,358	$ 341,546

$830,630 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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

Year Ended June 30	
2019	$ 8,378
2020	99,678
2021	42,514
2022	(57,767)
2023	(44,323)
Thereafter	(15,298)

NDPERS

At June 30, 2018, the School District reported a liability of $1,138,600 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2017, the School District's proportion was 0.070838 percent which was an increase of 0.016225 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized pension expense of $380,215. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 6,768	$ 5,547
Changes in assumptions	466,902	25,681
Net difference between projected and actual earnings on pension plan investments	15,313	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	171,325	1
School District contributions subsequent to the measurement date	62,957	-
Total	$ 723,265	$ 31,229

$62,957 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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

Year Ended June 30	
2019	$ 143,578
2020	164,590
2021	148,331
2022	113,087
2023	59,493

G. Actuarial Assumptions

TFFR

The total pension liability in the July 1, 2017 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 were based on the RP-2014 Healthy Annuitant Mortality Table set back one year, multiplied by 50% for ages under 75 and grading up to 100% by age 80, projected generationally using Scale MP-2014. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table set forward four years.

The actuarial assumptions used were based on the results of an actuarial experience study dated April 30, 2015. They are the same as the assumptions used in the July 1, 2017, funding actuarial valuation for TFFR.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58.0%	6.70%
Global Fixed Income	23.0%	0.80%
Global Real Assets	18.0%	5.20%
Cash Equivalents	1.0%	0.00%

NDPERS

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	5.0% to 15.0% including inflation
Investment rate of return	7.75%
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 January 2015. They are the same as the assumptions used in the July 1, 2017, 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, 2016. 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.0%	6.05%
International Equity	21.0%	6.70%
Private Equity	5.0%	10.20%
Domestic Fixed Income	17.0%	1.43%
International Fixed Income	5.0%	-0.45%
Global Real Assets	20.0%	5.16%
Cash Equivalents	1.0%	0.00%

H. Discount Rate

The discount rate used to measure the total pension liability for TFFR was 7.75 percent and NDPERS was 6.44 percent as of June 30, 2017. 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, 2017, 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, 2017. 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, 2017.

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent for TFFR and 6.44 percent for NDPERS, as well as what the School 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 (6.75/5.44 percent) or 1-percentage-point higher (8.75/7.44 percent) than the current rate:

	1% Decrease (6.75/5.44%)	Current Discount Rate (7.75/6.44%)	1% Increase (8.75/7.44%)
District's proportionate share of the TFFR net pension liability	$ 5,602,571	$ 4,213,987	$ 3,058,033
District's proportionate share of the NDPERS net pension liability	$ 1,545,683	$ 1,138,600	$ 799,922

J. Pension Plan Fiduciary Net Position

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

Note 10 - Adoption of New Standard

As of July 1, 2017, the School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this standard replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and requires governments calculate and report the cost and obligations associated with other postemployment benefits other than pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position for governmental activities was restated to adopt the provisions of GASB Statement No. 75 to report the beginning net OPEB liability as follows:

	Total
Net Position - July 1, 2017, as previously reported	$ 14,949,770
Add net OPEB liability under GASB Statement No. 75 at July 1, 2017	(53,074)
Net Position - July 1, 2017, as restated	$ 14,896,696

Note 11 - Interfund Receivable/Payable

The following is a reconciliation between interfund receivables and payables as reported in the financial statements for the year ended June 30, 2018:

Year Ending June 30, 2018	Due To	Due From
General fund	$ 1,482,145	$ -
Building fund	-	1,482,145
	$ 1,482,145	$ 1,482,145

The interfund receivable and payable represent building fund revenues deposited in the general fund bank account that will be repaid to the building fund in 2019.

Required Supplementary Information
June 30, 2018

Williams County School District No. 8

Schedule of Employer’s Share of Net Pension Liability
ND Teachers’ Fund for Retirement
Last 10 Fiscal Years*

	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.306801%	0.312869%	0.328151%	0.343952%
Employer's proportionate share of the net pension liability	$ 4,213,987	$ 4,583,716	$ 4,291,740	$ 3,604,007
Employer's covered payroll	2,070,817	2,032,789	2,018,470	1,995,103
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	203.49%	225.49%	212.62%	180.64%
Plan fiduciary net position as a percentage of the total pension liability	63.20%	59.20%	62.10%	66.60%

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

Schedule of Employer’s Contributions
ND Teachers’ Fund for Retirement
Last 10 Fiscal Years *

	2018	2017	2016	2015
Statutorily required contribution	$ 830,630	$ 747,657	$ 501,525	$ 524,391
Contributions in relation to the statutorily required contribution	(830,630)	(747,657)	(501,525)	(524,391)
Contribution deficiency (excess)	-	-	-	-
District's covered payroll	6,604,926	5,945,145	2,047,042	2,140,370
Contributions as a percentage of covered employee payroll	12.58%	12.58%	24.50%	24.50%

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

Notes to Required Supplementary Information
for the Year Ended June 30, 2018

Changes of Assumptions

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

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

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

`	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.070838%	0.054613%	0.053973%	0.04157%
Employer's proportionate share of the net pension liability	$ 1,138,600	$ 532,257	$ 367,007	$ 263,898
Employer's covered payroll	723,141	550,371	480,833	350,243
Employer's proportionate share of the net pension liability as a percentage of its its covered-employee payroll	157.45%	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	61.98%	70.46%	77.15%	77.70%

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

Schedule of Employer's Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years *

	2018	2017	2016	2015
Statutorily required contribution	$ 62,957	$ 67,393	$ 57,391	$ 52,671
Contributions in relation to the statutorily required contribution	(62,957)	(67,393)	(57,391)	(52,671)
Contribution deficiency (excess)	-	-	-	-
District's covered payroll	884,222	816,425	694,804	637,940
Contributions as a percentage of covered employee payroll	7.12%	8.25%	8.26%	8.26%

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

Notes to Required Supplementary Information
for the Year Ended June 30, 2018

Changes of Assumptions

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

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

	2018
Employer's proportion of the net OPEB liability	0.066844%
Employer's proportionate share of the net OPEB liability	$ 52,874
Employer's covered-employee payroll	723,141
Employer's proportionate share of the net OPEB liability as a percentage of its its covered-employee payroll	7.31%
Plan fiduciary net position as a percentage of the total OPEB liability	59.8%

* GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10 year trend is compiled, the District will present information for those years for which information is available. Data presented is as of the measurement date.

Schedule of Employer's Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years *

	2018
Statutorily required contribution	$ 10,080
Contributions in relation to the statutorily required contribution	(10,080)
Contribution deficiency (excess)	-
District's covered-employee payroll	884,222
Contributions as a percentage of covered employee payroll	1.14%

* GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10 year trend is compiled, the District will present information for those years for which information is available. Data presented is as of the District's fiscal year-end.

Notes to Required Supplementary Information
for the Year Ended June 30, 2018

Changes of Assumptions

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Local sources	$ 6,076,397	$ 9,047,720	$ 6,347,195	$ (2,700,525)
County sources	300,000	300,000	228	(299,772)
State sources	5,289,158	5,289,158	5,065,048	(224,110)
Federal sources	100,000	100,000	99,624	(376)
Other sources	-	-	8,250	8,250
Total revenues	11,765,555	14,736,878	11,520,345	(3,216,533)
Expenditures				
Current				
Regular programs	4,322,000	4,322,000	3,389,488	932,512
Tuition and assessments	900,000	900,000	963,804	(63,804)
Administration	1,150,000	1,150,000	721,345	428,655
Operation and maintenance of plant	1,000,555	1,000,555	764,348	236,207
Student transportation	600,000	600,000	412,270	187,730
Student activities	22,000	22,000	18,293	3,707
School food services	300,000	300,000	280,210	19,790
Capital outlay	1,000,000	3,971,323	5,244,642	(1,273,319)
Debt service				
Principal and interest	900,000	900,000	-	900,000
Total expenditures	10,194,555	13,165,878	11,794,400	1,371,478
Excess (Deficiency) of Revenues over (under) Expenditures	1,571,000	1,571,000	(274,055)	(1,845,055)
Transfers out	1,200,000	1,200,000	-	1,200,000
Net change in fund balance	2,771,000	2,771,000	(274,055)	(645,055)
Fund Balance - July 1	2,759,363	2,759,363	2,759,363	-
Fund Balance - June 30	$ 5,530,363	$ 5,530,363	$ 2,485,308	$ (645,055)

Note 1 – Stewardship, Compliance and Accountability

Budgetary Information

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

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

- The annual budget must be prepared and School District taxes must be levied on or before the 10th of October of each year.
- The School Board reviews the budget, may make revisions and approves it on or before August 15. The budget must be filed with the County Auditor by August 25.
- The taxes levied must be certified to the county auditor by October 10.
- The operating budget includes proposed expenditures and the means of financing them.
- Each budget is controlled by the business manager at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- All appropriations lapse at year-end.

EideBailly

CPAs & BUSINESS ADVISORS

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 School Board
Williams County School District No. 8
Williston, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Williams County School District No. 8 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Williams County School District No. 8's basic financial statements, and have issued our report thereon dated April 9, 2019.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered Williams County School District No. 8'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Williams County School District No. 8's internal control. Accordingly, we do not express an opinion on the effectiveness of Williams County School District No. 8's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2018-A, 2018-B, and 2018-C that we consider to be material weaknesses.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether Williams County School District No. 8'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Williams County School District's Responses to Findings
Williams County School District No. 8's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Williams County School District No. 8's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

Eide Bailly LLP

Bismarck, North Dakota
April 9, 2019

Section I – Financial Statement Findings

2018-A Preparation of Financial Statements
Material Weakness

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

Criteria – A good system of internal accounting control contemplates an adequate system for the preparation of the financial statements and related footnotes.

Cause – The District does not have staff trained in all GASB reporting standards.

Effect – The control deficiency could result in a misstatement to the presentation of the financial statements.

Recommendation – The circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

View of responsible officials – Since it is not cost-effective for an organization of our size to have staff to prepare audit-ready financial statements, we have chosen to hire Eide Bailly, a public accounting firm, to prepare the audit financial statements as part of their annual audit of Williams County School District.

2018-B Recording of Transactions and Audit Adjustments
Material Weakness

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

Criteria - A good system of internal accounting control contemplates proper reconcilements of all general ledger accounts and adjustments of those accounts to the reconciled balances.

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 made for any differences noted.

View of responsible officials - Management will make a greater effort to reconcile and record some of these transactions. It is not cost-effective for an organization of our size to have staff prepare all adjustments needed for an audit-ready trial balance; we have chosen to hire Eide Bailly, a public accounting firm, to assist us in preparing these transactions.

2018-C Segregation of Duties
Material Weakness

Condition - The District has a lack of segregation of duties in certain areas due to a limited staff.

Criteria - A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Cause – The District has limited staff to be able to adequately segregate duties.

Effect - Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in amounts that could be material in relation to the financial statements, and increase the risk of potential misappropriation of assets.

Recommendation – While we recognize that your office staff may not be large enough to permit complete segregation of duties in all respects for an effective system of internal control. All accounting functions should be reviewed to determine if additional segregation is feasible and to improve efficiency and effectiveness of financial management of the District.

View of responsible officials – At this time, Williams County School District No. 8 has segregated the duties of all accounting functions in the most efficient manner possible given its limited staff and overload of office work due to the oil industry. The School Board is involved and is being kept informed of the financial management of the District.