HAGA KOMMER
CERTIFIED PUBLIC ACCOUNTANTS

5195 45th Street South
Fargo, ND 58104
701-277-3111
701-277-3681

3811 Lockport Street
Bismarck, ND 58503
701-222-4100
701-224-0117

204 East Main Street
Mandan, ND 58554
701-663-9345
866-861-7169

WILTON PUBLIC SCHOOL DISTRICT NO. 1

AUDIT REPORT

JUNE 30, 2018

Wilton Public School District No. 1
Wilton, North Dakota

TABLE OF CONTENTS
For The Year Ended June 30, 2018

Wilton Public School District No. 1
Wilton, North Dakota

TABLE OF CONTENTS
For The Year Ended June 30, 2018

Wilton Public School District No. 1
Wilton, North Dakota
June 30, 2018

OFFICIALS

Lodee Arnold	President
Misty Schafer	Vice President
Angela Riehl	Board Member
Duane Johnson	Board Member
Nicole Schurhamer	Board Member
Amanda Meier	Superintendent
Jenna Kirchmeier	Business Manager

HAGA KOMMER
CERTIFIED PUBLIC ACCOUNTANTS

5195 45th Street South
Fargo, ND 58104
701-277-3111
701-277-3681

3811 Lockport Street
Bismarck, ND 58503
701-222-4100
701-224-0117

204 East Main Street
Mandan, ND 58554
701-663-9345
866-861-7169

INDEPENDENT AUDITOR'S REPORT

Governing Board
Wilton Public School District No. 1
Wilton, 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 Wilton Public School District No. 1, Wilton, North Dakota, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

www.HagaKommer.com

INDEPENDENT AUDITOR'S REPORT

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 the Wilton Public School District No. 1, Wilton, 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.

Emphasis of Matter

As discussed in Notes 1 and 8 to the financial statements, Wilton Public School District No. 1 adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, which resulted in a restatement of the net position as of July 1, 2017. Our opinion is 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 District's share of net pension liability and employer contributions – ND Teachers' Fund for Retirement on page 35, the District's share of net pension liability and employer contributions – ND Public Employees Retirement System on page 36, the District's share of net OPEB liability and employer contributions – ND Public Employees Retirement System on page 37, and budgetary comparison information on pages 38 through 39 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.

INDEPENDENT AUDITOR'S REPORT

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2019, on our consideration of Wilton Public School District No. 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 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 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 Wilton Public School District No. 1's internal control over financial reporting and compliance.

Haga Kommer, Ltd.

Haga Kommer, Ltd.
Mandan, North Dakota
June 3, 2019

Wilton Public School District No. 1
Statement of Net Position
June 30, 2018

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	$ 1,840,974
Intergovernmental Receivable, Net	71,079
Due from County Treasurer	8,373
Taxes Receivable, Net	26,702
Capital Assets	
Buildings	2,365,078
Buses	652,651
Equipment	597,359
Building Improvements	2,261,424
Less Accumulated Depreciation	(2,251,785)
Total Capital Assets, Net of Depreciation	3,624,727
TOTAL ASSETS	5,571,855
DEFERRED OUTFLOWS OF RESOURCES	
Derived from Pensions and OPEB	747,709
LIABILITIES	
Accounts Payable	46,009
Long-Term Liabilities	
Due Within One Year:	
ESG Financing	102,532
Due After One Year:	
Net Pension and OPEB Liability	3,244,672
ESG Financing	1,157,378
Compensated Absences	3,175
Total Liabilities	4,553,766
DEFERRED INFLOWS OF RESOURCES	
Derived from Pensions and OPEB	63,524
NET POSITION	
Net Investment in Capital Assets	2,364,817
Unrestricted	(662,543)
TOTAL NET POSITION	$ 1,702,274

The accompanying notes are an integral part of this statement.

Wilton Public School District No. 1
Statement of Activities
For the Year Ended June 30, 2018

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants & Contributions	Net (Expense) Revenue & Changes in Net Position: Governmental Activities
Functions/Programs				
Governmental Activities				
Regular Instruction	$ 1,434,384	$ 45,282	$ -	$ (1,389,102)
Federal Programs	74,360	-	145,052	70,692
Special Education	278,801	-	-	(278,801)
Vocational Education	167,754	-	-	(167,754)
District Wide Services	135,499	-	42,847	(92,652)
Administration	513,328	-	-	(513,328)
Operations and Maintenance	403,972	-	-	(403,972)
Student Transportation	199,069	-	-	(199,069)
Student Activities	130,904	-	-	(130,904)
Food Services	179,658	85,790	53,256	(40,612)
Adult Education/Community Services	78,987	-	-	(78,987)
Interest on Long-Term Debt	43,245	-	-	(43,245)
Total Primary Government	$ 3,639,961	$ 131,072	$ 241,155	(3,267,734)
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purpose				903,158
Property Taxes, Levied for Special Reserve				39,020
Property Taxes, Levied for Capital Projects				80,624
Other County Sources				31,137
Oil & Gas Production Taxes				34,991
Coal Severance Taxes				49,539
Coal Conversion Taxes				14,136
State Aid				2,219,002
Unrestricted Investment Earnings				19,047
Other Revenues				27,084
Gain on the Sale of Fixed Assets				825
Total General Revenues				3,418,563
Change in Net Position				150,829
Net Position - Beginning of Year				1,568,349
Prior Period Adjustment (See Note 12)				(16,904)
Net Position - Beginning of Year, as Restated				1,551,445
Net Position - End of Year				$ 1,702,274

The accompanying notes are an integral part of this statement.

Wilton Public School District No. 1
Balance Sheet - Governmental Funds
June 30, 2018

	Major Fund			
	General	Building	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	$ 1,163,961	$ 490,672	$ 186,341	$ 1,840,974
Intergovernmental Receivable, Net	71,079	-	-	71,079
Due from County Treasurer	7,418	643	312	8,373
Taxes Receivable, Net	23,652	2,054	996	26,702
TOTAL ASSETS	$ 1,266,110	$ 493,369	$ 187,649	$ 1,947,128
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 46,009	$ -	$ -	$ 46,009
Total Liabilities	46,009	-	-	46,009
Deferred Inflows of Resources:				
Unavailable Revenue	23,652	2,054	996	26,702
Total Liabilities and Deferred Inflows of Resources	69,661	2,054	996	72,711
Fund Balances:				
Assigned, Reported In:				
Capital Projects	-	491,315	-	491,315
Food Service	-	-	59,398	59,398
Special Reserve	-	-	127,255	127,255
Unassigned	1,196,449	-	-	1,196,449
Total Fund Balances	1,196,449	491,315	186,653	1,874,417
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 1,266,110	$ 493,369	$ 187,649	$ 1,947,128

The accompanying notes are an integral part of this statement.

Wilton Public School District No. 1
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
For the Year Ended June 30, 2018

Total fund balances - governmental funds		$ 1,874,417
Amounts reported for *governmental activities* in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost of Capital Assets	$ 5,876,512	
Accumulated Depreciation	(2,251,785)	
Net Capital Assets		3,624,727
Deferred outflows of resources are not a financial resource available for the current period and, therefore, are not reported in the governmental funds balance sheet.		747,709
The net pension and OPEB liability is not due and payable in the current period and, therefore, is not reported in the governmental funds balance sheet.		(3,244,672)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.		(63,524)
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 unavailable revenues in the funds.		26,702
Some liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Compensated Absences Payable	(3,175)	
ESG Financing	(1,259,910)	
Total Long-Term Liabilities		(1,263,085)
Net position of governmental activities		$ 1,702,274

The accompanying notes are an integral part of this statement.

Wilton Public School District No. 1
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2018

	Major Fund			
	General	Building	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property Taxes	$ 900,067	$ 80,358	$ 38,906	$ 1,019,331
County Sources	31,137	-	-	31,137
Oil, Gas, and Coal Funding	98,666	-	-	98,666
Tuition Charges	45,282	-	-	45,282
Fees and Charges	26,379	-	85,790	112,169
State Aid	2,219,002	-	896	2,219,898
Federal Aid	145,052	-	52,360	197,412
Earnings on Investments	16,081	1,441	1,525	19,047
Miscellaneous	43,552	-	-	43,552
TOTAL REVENUES	3,525,218	81,799	179,477	3,786,494
EXPENDITURES				
Current:				
Regular Education Programs	1,286,285	-	-	1,286,285
Title I	70,462	-	-	70,462
Other Federal Programs	3,898	-	-	3,898
Instructional Media Service	22,153	-	-	22,153
School Board	135,426	-	-	135,426
Executive Administration	218,948	-	-	218,948
Supportive Service - Business	91,826	-	-	91,826
Operation & Maintenance	310,328	-	-	310,328
Other Programs & Services	135,499	-	-	135,499
Student Activities	120,952	-	-	120,952
Student Transportation	138,243	-	-	138,243
Construction Services	106,197	-	-	106,197
Vocational Education	167,754	-	-	167,754
Special Education	278,801	-	-	278,801
Food Service	2,716	-	176,942	179,658
Adult Education/Community Services	78,987	-	-	78,987
Debt Service:				
Principal	99,289	-	-	99,289
Interest	43,245	-	-	43,245
TOTAL EXPENDITURES	3,311,009	-	176,942	3,487,951
Excess (Deficiency) of Revenues Over (Under) Expenditures	214,209	81,799	2,535	298,543
OTHER FINANCING SOURCES (USES)				
Sale of Fixed Assets	1,500	-	-	1,500
Transfers In (Out)	(176,035)	215,000	(38,965)	-
Total Other Financing Sources (Uses)	(174,535)	215,000	(38,965)	1,500
NET CHANGE IN FUND BALANCES	39,674	296,799	(36,430)	300,043
Fund Balances - July 1, 2017	1,156,775	194,516	223,083	1,574,374
FUND BALANCES - JUNE 30, 2018	$ 1,196,449	$ 491,315	$ 186,653	$ 1,874,417

The accompanying notes are an integral part of this statement.

Wilton Public School District No. 1

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the year ended June 30, 2018

Net change in fund balances - total governmental funds		$ 300,043
The change in net position reported for governmental activities in the statement of activities is 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. This is the amount by which capital outlays exceeded depreciation expense in the current period.		
Current Year Capital Outlay	$ 151,807	
Current Year Depreciation Expense	(249,526)	(97,719)
In the statement of activities, only the gain (loss) on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the assets disposed.		
Proceeds on sale of equipment	(1,500)	
Gain on sale of equipment	825	(675)
Because some property taxes will not be collected for several months after the district's fiscal year ends, they are not considered "available" revenues in the governmental funds. Unavailable tax revenues increased by this amount this year.		3,471
Compensated absences is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Compensated absences increased by this amount this year.		1,380
Governmental funds report the pension and OPEB expense as accrued for actual salaries paid in the expenditures. However, in the statement of activities, the pension expense is an actuarial calculation of the cost of the plan accounting for projected future benefits, plan earnings, and contributions.		(154,960)
The proceeds of debt issuances are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which debt proceeds exceeded repayment of debt.		
Repayment of Debt		99,289
Change in net position of governmental activities		$ 150,829

The accompanying notes are an integral part of this statement.

Wilton Public School District No. 1
Statement of Assets and Liabilities - Fiduciary Funds
June 30, 2018

		Agency Funds
ASSETS		
Cash and Cash Equivalents	$	107,438
Capital Assets (Net)		13,543
TOTAL ASSETS	$	120,981
LIABILITIES		
Due to Student Activities Groups	$	120,981
TOTAL LIABILITIES	$	120,981

The accompanying notes are an integral part of this statement.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wilton Public School District No. 1 complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. Reporting Entity

In accordance with Governmental Accounting Standards Board Statement No. 14 *The Financial Reporting Entity*, for financial reporting purposes the District's financial statements include all accounts of the District's operations. The criteria for including organizations as component units within the District's reporting entity include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is a fiscal dependency by the organization on the District

The District receives funding from local, county, state and federal government sources and must comply with the concomitant requirements of these funding source entities. But, based upon the criteria of Statement No. 14, there are no component units to be included within the District as a reporting entity and the District is not includable as a component unit within another reporting entity.

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are supported by taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Currently, the District does not classify any activities as business-type.

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital 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.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Separate statements are presented for governmental, proprietary and fiduciary activities. The District has no proprietary activities at this time. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The District has presented the following major funds:

General Fund: The General Fund is the main operating fund of the District. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Building Fund: The building fund is used to account for taxes assessed and expended for building projects.

The agency fund accounts for assets held by the District in a purely custodial capacity and are not included in the government-wide statements. Since the agency fund is custodial in nature, it does not involve the measurement of results of operations. The District has one agency fund which accounts for monies due to student groups and others.

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when transactions are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. New Accounting Pronouncements

As of July 1, 2017, the District adopted GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* The implementation of this standard required governments to calculate and report the costs and obligations associated with postemployment benefits other than pensions in their basic financial statements. Employers are required to recognize the entire OPEB liability and a more comprehensive measure of the OPEB expense. The effect of the implementation of these standards on beginning net position is disclosed in Note 12 and the additional disclosures required by these standards are included in Note 8 and supplemental schedules.

E. Interfund Transactions

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of governmental funds.

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 expenditure in the fund that is reimbursed.

F. Encumbrance Accounting

Encumbrances are commitments related to unperformed contracts for goods and services that may be recorded for budgetary control purposes. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. No reservation of fund balances is provided at year-end.

G. Cash, Cash Equivalents and Investments

Cash and cash equivalents consist of amounts in demand deposits, savings accounts, and certificates of deposit with a maturity of three months or less when purchased.

H. Inventory

A food inventory for the Food Service Fund is not recorded at year end because it is immaterial. School supplies are considered to be an expense in the year they are appropriated.

I. Capital Assets

Capital assets include buildings, vehicles, and equipment and are reported in the government-wide financial statements. Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital assets are defined by the District as assets with an initial, individual cost of $5,000 or more and a useful life of more than one year. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	70 years
Building Improvements	10 years
Vehicles	10 years
Furniture and Fixtures	20 years
Equipment	5 - 10 years

J. Compensated Absences

The District adopted a policy allowing staff with a minimum of 12 years of service with the District to be paid for unused sick leave. The District's personnel policy requires a payout of $20 for each day up to a maximum of $1,000 for employees with a minimum of 12 years of service. For those employees that have been with the District for a minimum of 15 years of service, the maximum payment would extend to $1,250 based on $20 a day.

A long-term liability for accrued leave as of June 30 has been recorded in the government-wide statements.

K. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the school board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

L. Fund Balance Classifications

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

M. Deferred Inflows of Resources and Deferred Outflows of Resources

Deferred inflows of resources in the fund financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available and include unavailable tax revenue.

In addition to assets, the statement of net position will sometimes report a separate section of 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. 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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. See Note 7 for additional information.

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

O. Other Post Employment Benefit (OPEB)

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

NOTE 2 DEPOSITS - CASH AND INVESTMENTS

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

Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business in 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 entity, and bonds issued by any other state of the United States or such other securities approved by the banking board.

Custodial Credit Risk

As of June 30, 2018, the District's carrying balances were $1,840,974 for governmental funds and $107,438 for agency funds.

The bank balance of these deposits as of June 30, 2018 was $2,279,758. The difference results from checks outstanding or deposits not yet processed. Of the bank balances, $250,000 was covered by Federal Depository Insurance and $2,029,758 was collateralized with securities held by the pledging financial institutions' agent not in the District's name.

Credit Risk and Interest Rate Risk

The school 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.

e. Commercial paper issued by a United States corporation rated in the highest quality category by at least two nationally recognized rating agencies and matures in two hundred seventy days or less.

NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with GASB Statement No. 72, assets, deferred outflows of resources, liabilities and deferred inflows of resources are grouped at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques use of option pricing models, discounted cash flow models and similar techniques.

The District has no items reported at fair value.

NOTE 4 PROPERTY TAX

Under state law, the District is limited in its ability to levy property taxes. All school tax levies are in compliance with state laws. Property taxes attach as an enforceable lien on property on January 1. A 5% reduction is allowed if paid by February 15th. Penalty and interest are added March 1st unless the first half of the taxes has been paid. Additional penalties are added October 15th if not paid. Taxes are collected by the county and remitted monthly to the school.

In its fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end. Taxes receivable consist of current and delinquent uncollected taxes at June 30. No allowance has been established for estimated uncollectible taxes because an offsetting deferred revenue has been recorded.

In the government-wide financial statements, property taxes are recorded as a receivable and revenue when assessed.

NOTE 5 CAPITAL ASSETS

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

	June 30, 2017	Increases	Decreases	June 30, 2018
Capital assets being depreciated				
Buildings	$ 2,365,078	$ -	$ -	$ 2,365,078
Buses	658,651	-	6,000	652,651
Equipment	550,776	46,583	-	597,359
Building Improvements	2,156,200	105,224	-	2,261,424
Total capital assets, being depreciated	5,730,705	151,807	6,000	5,876,512
Less accumulated depreciation for				
Buildings	1,047,993	33,787	-	1,081,780
Buses	340,028	60,826	5,325	395,529
Equipment	322,441	62,242	-	384,683
Building Improvements	297,122	92,671	-	389,793
Total accumulated depreciation	2,007,584	249,526	5,325	2,251,785
Total capital assets, net	$ 3,723,121	$ (97,719)	$ 675	$ 3,624,727

Depreciation expense for the year ended June 30, 2018 was $249,526 and is reported in the government-wide statement of activities. Depreciation charged to regular instruction is $86,077, student transportation is $60,826, operations & maintenance is $92,671, and student activities is $9,952.

NOTE 6 LONG-TERM DEBT

The following is a summary of long-term debt activity for the year ended June 30, 2018:

	Balance 6/30/17	Increases	Decreases	Balance 6/30/18	Due Within One Year
ESG Financing	$ 1,359,199	$ -	$ (99,289)	$ 1,259,910	$ 102,532
Compensated Absences *	4,555	-	(1,380)	3,175	-
Total	$ 1,363,754	$ -	$ (100,669)	$ 1,263,085	$ 102,532

* The change in compensated absences is shown as a net change because changes is salary prohibit exact calculations of additions and reductions at a reasonable cost.

NOTE 6 LONG-TERM DEBT - CONTINUED

Principal required for the bonds are as follows:

For the year ended June 30,	Principal	Interest
2019	$ 102,532	$ 40,002
2020	105,880	36,653
2021	109,340	33,195
2022	112,911	29,624
2023	116,599	25,936
2024-2028	642,669	70,002
2029	69,979	1,136
Total	$ 1,259,910	$ 236,548

Long-term debt payable includes the following issues:

ESG Financing	
$1,655,951 ESG Financing; due in semi-annual installments of $71,267 through July 2028; interest at 3.24%.	$ 1,259,910

NOTE 7 DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (PENSIONS & OPEB)

Details of the Deferred Outflows of Resources and Deferred Inflows of Resources on the face of the government-wide financial statements as of June 30, 2018 are as follows:

Deferred Outflows of Resources	
Derived from pension - TFFR	$ 497,551
Derived from pension - NDPERS	245,116
Derived from pension - OPEB	5,042
Total	$ 747,709
Deferred Inflows of Resources	
Derived from pension - TFFR	$ 30,514
Derived from pension - NDPERS	31,722
Derived from pension - OPEB	1,288
Total	$ 63,524

Note 8 of the financial statements contain details of the pension plans.

Details of the Deferred Inflows of Resources on the face of the governmental fund financial statements as of June 30, 2018 are as follows:

Deferred Inflows of Resources	
Unavailable Revenue	$ 26,702

NOTE 8 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)

1. North Dakota Teacher's Fund for Retirement

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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 must 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 or 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.

NOTE 8 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

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

Tier 2

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

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

Death and Disability Benefits

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

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

NOTE 8 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

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

At June 30, 2018, the District reported a liability of $2,795,250 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 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 July 1, 2017, the District's proportion was 0.20350914%, which was an increase of 0.00551177% from its proportion measures as July 1, 2016.

For the year ended June 30, 2018, the District recognized pension expense of $281,498. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 10,722	$ 30,514
Changes of assumptions	199,235	-
Net difference between projected and actual earnings on pension plan investments	38,610	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	77,469	-
Employer contributions subsequent to the measurement date (see below)	171,515	-
Total	$ 497,551	$ 30,514

$171,515 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 pensions 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:

For the year ended June 30,	
2019	$ 60,669
2020	121,230
2021	83,312
2022	16,792
2023	7,031
Thereafter	6,490

NOTE 8 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

Actuarial Assumptions

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 Annitant 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.

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58%	6.7%
Global Fixed Income	23%	0.8%
Global Real Assets	18%	5.2%
Cash Equivalents	1%	0.0%

NOTE 8 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

Discount Rate

The discount rate used to measure the total pension liability was 7.75 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.

Sensitivity of the Employer'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%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Employer's proportionate share of the net pension liability	$ 3,716,335	$ 2,795,250	$ 2,028,475

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.

2. North Dakota Public Employees Retirement System (Main System)

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

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

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

NOTE 8 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

Pension Benefits

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

NOTE 8 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

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

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

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

At June 30, 2018, the District reported a liability of $429,478 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2017, the District's proportion was 0.026720%, which is a decrease of .002635% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of $69,832. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,553	$ 2,093
Changes of assumptions	176,115	9,687
Net difference between projected and actual earnings on pension plan investments	5,776	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	36,521	19,942
Employer contributions subsequent to the measurement date (see below)	24,151	-
Total	$ 245,116	$ 31,722

$24,151 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, 2019.

NOTE 8 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

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

For the year ended June 30,	
2019	$ 42,264
2020	50,189
2021	44,203
2022	36,781
2023	15,806
Thereafter	-

Actuarial Assumptions

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	3.50%	
Salary increases	Service at Beginning of Year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 36	8.00%
	36 - 40	7.50%
	41 - 49	6.00%
	50+	5.00%
	*Age-based salary increase rates apply for employees with three or more years of service	
Investment rate of return	7.75%, 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%.

NOTE 8 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.05%
International Equity	21%	6.70%
Private Equity	5%	10.20%
Domestic Fixed Income	17%	1.43%
International Fixed Income	5%	-0.45%
Global Real Assets	20%	5.16%
Cash Equivalents	1%	0.00%

Discount Rate

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

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

The pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.56% and the resulting Single Discount Rate is 6.44%.

NOTE 8 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

Sensitivity of the Employer'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 6.44 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 (5.44%) or 1-percentage-point higher (7.44%) than the current rate:

	1% Decrease (5.44%)	Current Discount Rate (6.44%)	1% Increase (7.44%)
Employer's proportionate share of the net pension liability	$ 583,030	$ 429,478	$ 301,730

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report. That report may be obtained by writing to NDPERS; 400 East Broadway, Suite 505; PO Box 1657; Bismarck, ND 58502-1657.

3. North Dakota Public Employees Retirement System (OPEB)

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.

OPEB Benefits

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

NOTE 8 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

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.

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

At June 30, 2018 the District reported a liability of $19,944 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2017, the District's proportion was 0.025213 percent.

For the year ended June 30, 2018 the District recognized OPEB expense of $2,396. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 486
Changes of assumptions	1,932	-
Net difference between projected and actual earnings on OPEB plan investments	-	754
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	48
Employer contributions subsequent to the measurement date (see below)	3,110	-
Total	$ 5,042	$ 1,288

$3,110 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

NOTE 8 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

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

For the year ended June 30,		
2019	$	30
2020		30
2021		30
2022		218
2023		218
Thereafter		88

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
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 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
Large Cap Domestic Equities	37%	5.80%
Small Cap Domestic Equities	9%	7.05%
International Equities	14%	6.20%
Core-Plus Fixed Income	40%	1.56%

NOTE 8 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

Discount rate

The discount rate used to measure the total OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2017, and July 1, 2016, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the Plans as of June 30, 2017, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (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%)
Employer's proportionate share of the net OPEB liability	$ 24,967	$ 19,944	$ 15,638

NOTE 9 RISK MANAGEMENT

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

In 1986, the state and other political subdivisions 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. All members paid an additional charge the first year they joined to help capitalize the NDIRF. In 1991 the NDIRF returned 20% of the capitalized amount with a premium reduction or cash payment to the District. The District pays an annual premium to NDIRF for its general insurance coverage. The coverage by NDIRF is limited to losses of $2,000,000 per occurrence.

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of $1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the District with blanket fidelity bond coverage in the amount of $1,100,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The District continues to carry commercial insurance for all other risks of loss, including workers' compensation, North Dakota fire and tornado fund, and employee health and accident insurance. Any settled claims from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 10 INTERGOVERNMENTAL RECEIVABLES

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 11 EXPENSES IN EXCESS OF BUDGET

For the fiscal year ended June 30, 2018, the general fund expenditures were in excess of budget on several line items but as a whole, expenditures were under budget by $94,091. No remedial action is anticipated.

NOTE 12 PRIOR PERIOD ADJUSTMENT

Due to the adoption of accounting standards the beginning net position was restated to retroactively report the beginning net OPEB liability and deferred outflows of resources related to contributions made after the measurement date as follows:

Net Position - Beginning of Year, as previously reported	$ 1,568,349
Restatement of accounting for OPEB	(16,904)
Net Position - Beginning of Year, as restated	$ 1,551,445

REQUIRED SUPPLEMENTARY INFORMATION

WILTON PUBLIC SCHOOL DISTRICT NO. 1
Required Supplementary Information
For the Year Ended June 30, 2018

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 (asset)	0.20350914%	0.19799737%	0.196259%	0.195459%
Employer's proportionate share of the net pension liability (asset)	$ 2,795,250	$ 2,900,777	$ 2,566,784	$ 2,048,064
Employer's covered-employee payroll	$ 1,373,628	$ 1,286,438	$ 1,207,198	$ 1,133,768
Employer's proportionate share of the net pension liability (asset) 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	63.2%	59.2%	62.1%	66.6%

* Complete data for this schedule is not available prior to 2015.

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

	2018	2017	2016	2015
Statutorily required contribution	$ 171,515	$ 175,138	$ 164,021	$ 153,918
Contributions in relation to the statutorily required contribution	$ (171,515)	$ (175,138)	$ (164,021)	$ (153,918)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Employer's covered-employee payroll	$ 1,345,217	$ 1,286,438	$ 1,207,198	$ 1,133,768
Contributions as a percentage of covered-employee payroll	12.75%	12.75%	12.75%	10.75%

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

Data reported is measured as of 7/1/2017, 7/1/2016, 7/1/2015 and 7/1/2014.

See independent auditor's report and notes to financial statements.

WILTON PUBLIC SCHOOL DISTRICT NO. 1
Required Supplementary Information
For the Year Ended June 30, 2018

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 (asset)	0.026720%	0.029355%	0.021494%	0.022533%
Employer's proportionate share of the net pension liability (asset)	$ 429,478	$ 286,093	$ 146,156	$ 143,022
Employer's covered-employee payroll	$ 272,769	$ 295,834	$ 191,489	$ 189,816
Employer's proportionate share of the net pension liability (asset) as a percentage of 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%

* Complete data for this schedule is not available prior to 2015.

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

	2018	2017	2016	2015
Statutorily required contribution	$ 19,779	$ 21,418	$ 14,545	$ 13,515
Contributions in relation to the statutorily required contribution	$ (19,454)	$ (19,088)	$ (16,983)	$ (13,515)
Contribution deficiency (excess)	$ 325	$ 2,330	$ (2,438)	$ -
Employer's covered-employee payroll	$ 272,769	$ 295,834	$ 191,489	$ 189,816
Contributions as a percentage of covered-employee payroll	7.13%	6.45%	7.60%	7.12%

* Complete data for this schedule is not available prior to 2015.

Data reported is measured as of 7/1/2017, 7/01/2016, 7/1/2015 and 7/1/2014.

See independent auditor's report and notes to financial statements.

WILTON PUBLIC SCHOOL DISTRICT NO. 1
Required Supplementary Information
For the Year Ended June 30, 2018

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 (asset)	0.025213%
Employer's proportionate share of the net OPEB liability (asset)	$ 19,944
Employer's covered-employee payroll	$ 272,769
Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	7.31%
Plan fiduciary net position as a percentage of the total OPEB liability	59.78%

* Complete data for this schedule is not available prior to 2017.

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

	2018
Statutorily required contribution	$ 3,171
Contributions in relation to the statutorily required contribution	$ (3,115)
Contribution deficiency (excess)	$ 56
Employer's covered-employee payroll	$ 272,769
Contributions as a percentage of covered-employee payroll	1.14%

* Complete data for this schedule is not available prior to 2017.

Data reported is measured as of 7/1/2017.

See independent auditor's report and notes to financial statements.

Wilton Public School District No. 1
Budgetary Comparison Schedule
General Fund
For the year ended June 30, 2018

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Property Taxes	$ 891,002	$ 891,002	$ 900,067	$ 9,065
County Sources	26,250	26,250	31,137	4,887
Oil, Gas, and Coal Funding	72,000	72,000	98,666	26,666
Tuition Charges	22,200	22,200	45,282	23,082
Fees and Charges	15,000	15,000	26,379	11,379
State Aid	2,199,755	2,199,755	2,219,002	19,247
Federal Aid	119,535	119,535	145,052	25,517
Earnings on Investments	13,000	13,000	16,081	3,081
Miscellaneous	550	550	43,552	43,002
TOTAL REVENUES	3,359,292	3,359,292	3,525,218	165,926
EXPENDITURES				
Current:				
Regular Education Programs	1,300,114	1,300,114	1,286,285	13,829
Title I	91,807	91,807	70,462	21,345
Title II	2,535	2,535	-	2,535
Other Federal Programs	3,898	3,898	3,898	-
Instructional Media Service	21,564	21,564	22,153	(589)
School Board	133,065	133,065	135,426	(2,361)
Executive Administration	224,717	224,717	218,948	5,769
Supportive Service - Business	96,956	96,956	91,826	5,130
Operation & Maintenance	323,904	323,904	310,328	13,576
Other Programs & Services	131,371	131,371	135,499	(4,128)
Student Activities	104,587	104,587	120,952	(16,365)
Student Transportation	232,084	232,084	138,243	93,841
Construction Services	75,000	75,000	106,197	(31,197)
Vocational Education	168,467	168,467	167,754	713
Special Education	268,657	268,657	278,801	(10,144)
Food Service	2,716	2,716	2,716	-
Adult Education/Community Services	81,124	81,124	78,987	2,137
Debt Service:				
Principal	142,534	142,534	99,289	43,245
Interest	-	-	43,245	(43,245)
TOTAL EXPENDITURES	3,405,100	3,405,100	3,311,009	94,091
Excess (Deficiency) of Revenues Over (Under) Expenditures	(45,808)	(45,808)	214,209	260,017
OTHER FINANCING SOURCES (USES)				
Sale of Fixed Assets	-	-	1,500	1,500
Transfers In (Out)	-	-	(176,035)	(176,035)
Total Other Financing Sources (Uses)	-	-	(174,535)	(174,535)
NET CHANGE IN FUND BALANCES	(45,808)	(45,808)	39,674	85,482
Fund Balances - July 1, 2017	1,156,775	1,156,775	1,156,775	-
FUND BALANCES - JUNE 30, 2018	$ 1,110,967	$ 1,110,967	$ 1,196,449	$ 85,482

The accompanying notes are an integral part of this statement.

NOTE 1 CHANGES OF ASSUMPTIONS – ND TEACHERS' FUND FOR RETIREMENT

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.

NOTE 2 CHANGES OF ASSUMPTIONS – ND PUBLIC EMPLOYEES RETIREMENT SYSTEM MAIN AND OPEB

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.

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The District adopts an annual budget consistent with accounting principles generally accepted in the United States for the general fund. The following procedures are used 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 August 15 each year.
- The taxes levied must be certified to the county auditor by August 25.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the business manager at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- The balance of each appropriation becomes a part of the unappropriated fund balance at year-end.

HAGA KOMMER
CERTIFIED PUBLIC ACCOUNTANTS

5195 45th Street South
Fargo, ND 58104
701-277-3111
701-277-3681

3811 Lockport Street
Bismarck, ND 58503
701-222-4100
701-224-0117

204 East Main Street
Mandan, ND 58554
701-663-9345
866-861-7169

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*

Governing Board
Wilton Public School District No. 1
Wilton, 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 Wilton Public School District No. 1 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Wilton Public School District No. 1's basic financial statements and have issued our report thereon dated June 3, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wilton Public School District No. 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wilton Public School District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of Wilton Public School District No. 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 were not identified. Given these limitations, during out audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We consider deficiencies 2018-001 and 2018-002 described in the accompanying schedule of findings to be significant deficiencies.

www.HagaKommer.com

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*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wilton Public School District No. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Wilton Public School District No. 1's Response to Findings

Wilton Public School District No. 1's responses to the findings identified in our audit are described in the accompanying schedule of findings. Wilton Public School District No. 1'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.

Haga Kommer, Ltd.

Haga Kommer, Ltd.
Mandan, North Dakota
June 3, 2019

2018-001 Segregation of Duties

Condition – There are limited staff members for the accounting functions. Considering the size of the entity, it is not feasible to obtain proper segregation of duties and the degree of internal control is severely limited.

Criteria – A good system of internal control contemplates an adequate segregation of duties so that no individual has control of a transaction from inception to completion.

Cause – There are a limited number of staff members available for these duties.

Effect – Inadequate segregation of duties could affect the District's ability to timely detect misstatements in amounts that would be material to the financial statements.

Recommendation – This is not unusual in a District of your size, but the board should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in the board's knowledge of matters relating to the District's operations.

Management's Response – The District is aware of the limitations and has determined additional staff is not feasible. The District will monitor the condition.

2018-002 Preparation of Financial Statements

Condition – The financial statements and related notes are prepared by the District's auditors.

Criteria – Complete and accurate presentation of the financial statements in conformity with generally accepted accounting principles is required.

Cause – Ongoing changes in the reporting and disclosure requirements make it difficult to maintain knowledge of current accounting standards with limited time available to the accounting department.

Effect – The District has elected to have the auditors complete the full disclosure financial statements.

Recommendation – The preparation of financial statements by the District's auditors is not unusual in a district of this size. Due to the accounting department having adequate accounting knowledge, they should continue to review the financial statements and related disclosures.

Management's Response – The District will continue to have the auditors prepare the financial statements due to the ongoing changes in the reporting and disclosure requirements that make it difficult to maintain knowledge of current accounting standards with the limited time available to the accounting department. The accounting department will continue to review the financial statements and related disclosures.