WILLISTON PUBLIC SCHOOL DISTRICT #1

FINANCIAL STATEMENTS
JUNE 30, 2019

WITH INDEPENDENT AUDITOR'S REPORT

WILLISTON PUBLIC SCHOOL DISTRICT #1

TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2019

WILLISTON PUBLIC SCHOOL DISTRICT #1

SCHOOL DISTRICT OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2019

Current

Thomas Kalil	Board Vice President
Cory Swint	Board Member
Heather Wheeler	Board Member
Laurie Garbel	Board Member
Emily Ramage Geltel	Board Member
Dr. Jeff Thake	Superintendent
Lori Olson	Interim Assistant Superintendent/ Curriculum Director

June 30, 2019

Joanna Baltes	Board President
Thomas Kalil	Board Vice President
Cory Swint	Board Member
Sara Kasmer	Board Member
Heather Wheeler	Board Member
Michael Campbell	Superintendent
Lori Olson	Assistant Superintendent of Business Services

WIDMER ROEL
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Williston Public School District #1** (School District), as of and for the year ended June 30, 2019, 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.

widmerroelcpa.com

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 **Williston Public School District #1**, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2021, on our consideration of the **Williston Public School District #1's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Williston Public School District #1's** internal control over financial reporting and compliance.

Fargo, North Dakota
January 27, 2021

WILLISTON PUBLIC SCHOOL DISTRICT #1

STATEMENT OF NET POSITION
JUNE 30, 2019

		Governmental Activities
ASSETS		
Cash and cash equivalents	$	27,735,640
Taxes receivable		1,381,569
Intergovernmental receivable		5,524,312
Inventory		22,611
Prepaid expenses		2,907
Capital assets, not being depreciated		
Land		3,078,290
Construction in progress		1,537,056
Capital assets, net of accumulated depreciation		
Buildings		76,869,240
Modular leasehold improvements		3,329,411
Furniture and equipment		2,146,972
Vehicles		521,856
Land and building improvements		1,105,895
Total assets		123,255,759
DEFERRED OUTFLOWS OF RESOURCES		
Derived from pension and OPEB		13,442,974
Total assets and deferred outflows of resources	$	136,698,733

	Governmental Activities
LIABILITIES	
Checks in excess of deposits	$ 299,767
Accounts payable	386,181
Salaries and benefits payable	5,926,724
Interest payable	382,584
Unearned revenue	58,778
Long-term liabilities	
Portion due or payable within one year	
Compensated absences payable	118,888
Bond payable	860,000
Construction loan payable	949,000
Certificate of indebtedness payable	1,350,000
Portion due or payable after one year	
Compensated absences	475,553
Bond payable	23,260,000
Bond premium	810,445
Construction loan payable	16,115,530
Certificate of indebtedness payable	12,865,000
Net pension and OPEB liability	49,909,928
Total liabilities	113,768,378
DEFERRED INFLOWS OF RESOURCES	
Pension and OPEB items	1,944,339
NET POSITION	
Net investment in capital assets	33,189,190
Restricted for	
Debt services	874,325
Special reserve	1,080,133
Capital projects	12,710,250
Unrestricted	(26,867,882)
Total net position	20,986,016
Total liabilities, deferred inflows of resources and net position	$ 136,698,733

WILLISTON PUBLIC SCHOOL DISTRICT #1

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net Revenue (Expense) and Change in Net Position Total
GOVERNMENTAL ACTIVITIES				
Regular instruction	$ 36,883,068	$ 37,545	$ 2,160	$ (36,843,363)
Federal programs	1,561,563	-	1,462,104	(99,459)
Special education	2,231,460	-	1,712,773	(518,687)
Vocational education	650,138	-	107,832	(542,306)
District wide services	2,882,185	-	-	(2,882,185)
Administration	2,120,787	-	-	(2,120,787)
Operations and maintenance	5,088,357	-	-	(5,088,357)
Food service	2,990,576	1,578,697	918,358	(493,521)
Transportation	829,637	-	-	(829,637)
Student activities	1,477,969	43,943	-	(1,434,026)
Community services	4,531	-	-	(4,531)
Interest expense and fees	1,638,765	-	-	(1,638,765)
Total governmental activities	$ 58,359,036	$ 1,660,185	$ 4,203,227	(52,495,624)

GENERAL REVENUES	
Property taxes; levied for general purposes	11,979,837
In lieu of taxes	115,877
Sales tax levy	1,650,275
Oil and gas tax	4,125,709
State aid not restricted to specific program	31,129,907
Earnings on investments	216,423
Miscellaneous revenues	232,264
Total general revenues	49,450,292
Change in net position	(3,045,332)
Net position - July 1	24,031,348
Net position - June 30	$ 20,986,016

WILLISTON PUBLIC SCHOOL DISTRICT #1

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Building Fund	Debt Service Fund
ASSETS			
Cash and cash equivalents	$ 12,435,646	$ 12,710,892	$ 1,513,679
Taxes receivable	963,611	214,713	170,390
Intergovernmental receivable	4,889,485	438	-
Inventory	-	-	-
Prepaid expenses	2,907	-	-
Total assets	$ 18,291,649	$ 12,926,043	$ 1,684,069
LIABILITIES			
Checks in excess of deposits	$ -	$ -	$ -
Accounts payable	358,468	26,780	-
Salaries and benefits payable	5,722,208	-	-
Unearned revenue - food service	-	-	-
Total liabilities	6,080,676	26,780	-
DEFERRED INFLOWS OF RESOURCES			
Deferred tax revenue	829,485	154,722	147,560
FUND BALANCES			
Nonspendable	2,907	-	-
Restricted for			
Debt services	-	-	1,536,509
Special reserve	-	-	-
Capital outlay	-	12,744,541	-
Assigned	-	-	-
Unassigned	11,378,581	-	-
Total fund balances	11,381,488	12,744,541	1,536,509
Total liabilities, deferred inflows of resources, and fund balances	$ 18,291,649	$ 12,926,043	$ 1,684,069

Food Service Fund	Special Reserve Funds	Total Government Funds
$ -	$ 1,075,423	$ 27,735,640
-	32,855	1,381,569
634,389	-	5,524,312
22,611	-	22,611
-	-	2,907
$ 657,000	$ 1,108,278	$ 34,667,039
$ 299,767	$ -	$ 299,767
933	-	386,181
204,516	-	5,926,724
58,778	-	58,778
563,994	-	6,671,450
-	28,145	1,159,912
22,611	-	25,518
-	-	1,536,509
-	1,080,133	1,080,133
-	-	12,744,541
70,395	-	70,395
-	-	11,378,581
93,006	1,080,133	26,835,677
$ 657,000	$ 1,108,278	$ 34,667,039

WILLISTON PUBLIC SCHOOL DISTRICT #1

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total fund balances for governmental funds		$ 26,835,677
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds		
Cost of capital assets	113,053,973	
Less accumulated depreciation	(24,465,253)	
		88,588,720
Accrued interest payable for long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds		(382,584)
Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds		1,159,912
Net pension and OPEB obligations are not due and payable in the current period, and therefore are not reported in the governmental funds.		(49,909,928)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Total deferred outflows of resources	13,442,974	
Total deferred inflows of resources	(1,944,339)	
		11,498,635
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences payable	(594,441)	
Bonds payable	(24,120,000)	
Bond premium	(810,445)	
Construction loan payable	(17,064,530)	
Certificate of indebtedness	(14,215,000)	
		(56,804,416)
Total net position of governmental activities		$ 20,986,016

WILLISTON PUBLIC SCHOOL DISTRICT #1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Building Fund	Debt Service Fund
REVENUES			
Local sources	$ 14,401,118	$ 1,900,484	$ 1,719,527
State sources	32,964,008	-	-
Federal sources	1,450,768	-	-
Other sources	165,633	97,400	909
Total revenues	48,981,527	1,997,884	1,720,436
EXPENDITURES			
Current			
Regular instruction	30,955,895	-	-
Federal programs	1,486,418	-	-
Special education	2,779,033	-	-
Vocational education	663,150	-	-
District wide services	3,244,688	-	-
Administration	1,859,116	-	-
Operations and maintenance	3,859,328	680,127	-
Food service	-	-	-
Transportation	711,313	-	-
Student activities	1,193,028	-	-
Community services	7,398	-	-
Capital outlay	211,736	1,635,479	-
Debt service			
Principal	15,521,593	420,000	1,258,160
Interest and fees	580,044	265,340	820,363
Total expenditures	63,072,740	3,000,946	2,078,523
Excess (deficiency) of revenues over expenditures	(14,091,213)	(1,003,062)	(358,087)
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of asset	-	333,988	-
Bond proceeds	14,751,192	-	-
Transfers in	-	1,800,000	-
Transfers out	(1,500,000)	-	-
Total other financing sources (uses)	13,251,192	2,133,988	-
Net change in fund balances	(840,021)	1,130,926	(358,087)
FUND BALANCES - JULY 1	12,221,509	11,613,615	1,894,596
FUND BALANCES - JUNE 30	$ 11,381,488	$ 12,744,541	$ 1,536,509

Food Service Fund		Special Reserve Funds		Total Government Funds
$	1,579,445	$ 341,542	$	19,942,116
	17,850	-		32,981,858
	899,761	-		2,350,529
	-	953		264,895
	2,497,056	342,495		55,539,398
	-	-		30,955,895
	-	-		1,486,418
	-	-		2,779,033
	-	-		663,150
	-	-		3,244,688
	-	-		1,859,116
	-	-		4,539,455
	2,576,083	-		2,576,083
	-	-		711,313
	-	-		1,193,028
	-	-		7,398
	-	-		1,847,215
	-	-		17,199,753
	-	-		1,665,747
	2,576,083	-		70,728,292
	(79,027)	342,495		(15,188,894)
	-	-		333,988
	-	-		14,751,192
	600,000	-		2,400,000
	-	(900,000)		(2,400,000)
	600,000	(900,000)		15,085,180
	520,973	(557,505)		(103,714)
	(427,967)	1,637,638		26,939,391
$	93,006	$ 1,080,133	$	26,835,677

See Notes to Financial Statements

WILLISTON PUBLIC SCHOOL DISTRICT #1

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds		$ (103,714)
Amount reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period these amounts are:		
Current year capital outlay	1,953,569	
Depreciation expense	(3,256,433)	
		(1,302,864)
In the statement of activities, only the loss on the sale or disposal of capital assets is reported. However, in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold or disposed:		
Assets sold	(324,000)	
Accumulated depreciation on sold assets	109,350	
		(214,650)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		17,199,753
Governmental funds report the effect of premiums on refunding when debt is first issued, whereas this amount is deferred and amortized in the statement of activities.		(507,248)
Issuance of debt is an other financing source in the governmental funds, but the issuance increases long-term liabilities in the statement of net position.		(14,215,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.		
Net increase in compensated absences	(35,703)	
Net decrease in interest payable	33,371	
		(2,332)

WILLISTON PUBLIC SCHOOL DISTRICT #1

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

The net pension and OPEB liability, and related deferred outflows and inflows of resources are reported in the government wide statements; however, activity related to these pension and OPEB items do not involve financial resources, and are not reported in the funds.		
Increase in net pension and OPEB liability	(79,985)	
Decrease in deferred outflows of resources	(2,369,621)	
Increase in deferred inflows of resources	(1,104,638)	
		(3,554,244)
Some revenues reported in the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the decrease in taxes receivable along with tuition for local education agencies.		(345,033)
Change in net position of governmental activities		$ (3,045,332)

WILLISTON PUBLIC SCHOOL DISTRICT #1

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2019

		Agency Fund
ASSETS		
Cash and investments	$	790,850
Accounts receivable		136,033
Total assets	$	926,883
LIABILITIES		
Due to others	$	610,524
Due to primary government		316,359
Total liabilities	$	926,883

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The financial statements of the Williston Public School District #1 (“School District”), Williston, North Dakota, have been prepared in conformity with accounting principles general accepted in the United States of America (“GAAP”) as applied to government units. The Government Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

Reporting Entity

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

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

Basis of Presentation

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

The School District reports the following major governmental funds:

> *General Fund:* This is the School District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
>
> *Building Fund:* This fund accounts for financial resources dedicated to the construction of new school buildings, additions to old school buildings, the making of major repairs to existing buildings, or to make annual debt service payments on outstanding debt issues related to the building fund.
>
> *Debt Service Fund:* This fund is used to account for the accumulation of resources for, and the payment of principal, interest and related costs for the general obligation school building bonds.
>
> *Food Service Fund:* The fund is used to account for the proceeds of food service revenue sources requiring separate accounting because of legal or regulatory provisions or administrative action.
>
> *Special Reserve Fund:* The fund is used to collect property tax revenue to cover excess expenditures that may occur during the year that the School District did not originally budget for.

The School District reports the following fund type:

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

(Continued)

Cash and Cash Equivalents

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

Inventory

The School District accounts for the inventory of the food service fund which is valued at cost, which approximates market, using the FIFO (first in first out) method. Reported inventories are equally offset by fund balance designation which indicates the inventories do not constitute "available spendable resources."

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Reported prepaid expenses are equally offset by fund balance designation which indicates the prepaid expenses do not constitute "available spendable resources."

Capital Assets

Capital assets include property, plant and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of $5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

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

Compensated Absences

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

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

(Continued)

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. 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. See additional information regarding this item in Notes 7 and 8 to the financial statements.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School District has multiple items that qualify for reporting in this category. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The School District also reports deferred inflows of resources related to pensions and other post-employment benefits. See additional information regarding this item in Note 7 and 8 to the financial statements.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as assets and amortized over the term of the related debt.

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

Fund Financial Statements

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

Restricted and Unrestricted Resources

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

Fund Balance and Classification Policies and Procedures

The School District classifies governmental fund balances as follows:

> ***Nonspendable*** – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
>
> ***Restricted*** – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

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

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

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

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

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

Program Revenues

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

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

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

Program-specific capital grants and contributions – these arise from mandatory and voluntary non-exchange transactions and other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

Accounts Payable

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

Salaries and Benefits Payable

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

(Continued)

Pensions

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

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information out 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 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 – CASH AND CASH EQUIVALENTS

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

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

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

At year ended June 30, 2019, the School District's carrying amount of deposits was $28,073,806 and the bank balances were $29,665,249. Of the bank balance, $7,959,073 was covered by Federal Depository Insurance. The remaining balance of $21,706,176 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Interest Rate Risk

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

Credit Risk

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

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

At June 30, 2019 the School District held certificates of deposit in the amount of $7,516,444 which are all considered deposits and included in the above amount of total deposits.

Concentration of Credit Risk

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

NOTE 3 – TAXES RECEIVABLE

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

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

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

NOTE 4 – INTERGOVERNMENTAL RECEIVABLE

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

NOTE 5 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2019:

	Beginning Balance	Additions	Dispositions	Ending Balance
Capital assets not being depreciated				
Land	$ 3,078,290	$ -	$ -	$ 3,078,290
Construction in progress	23,607	1,513,449	-	1,537,056
Total capital assets not being depreciated	3,101,897	1,513,449	-	4,615,346
Capital assets, being depreciated				
Buildings	92,949,502	-	324,000	92,625,502
Modular leasehold improvements	4,025,848	-	-	4,025,848
Furniture and equipment	5,702,547	200,843	-	5,903,390
Vehicles	1,963,948	144,102	-	2,108,050
Land and building improvements	3,680,662	95,175	-	3,775,837
Total capital assets, being depreciated	108,322,507	440,120	324,000	108,438,627
Less accumulated depreciation for				
Buildings	13,656,261	2,209,351	109,350	15,756,262
Modular leasehold improvements	552,531	143,906	-	696,437
Furniture and equipment	3,113,000	643,418	-	3,756,418
Vehicles	1,456,234	129,960	-	1,586,194
Land and building improvements	2,540,144	129,798	-	2,669,942
Total accumulated depreciation	21,318,170	3,256,433	109,350	24,465,253
Total capital assets, being depreciated, net	87,004,337	(2,816,313)	214,650	83,973,374
Governmental activities capital assets, net	$ 90,106,234	$ (1,302,864)	$ 214,650	$ 88,588,720

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

Regular instruction	$ 2,027,043
Special education	181,673
Vocational education	43,200
District wide services	212,148
Administration	115,476
Operations and maintenance	298,828
Food service	170,407
Student activities	77,698
Vehicles	129,960
	$ 3,256,433

NOTE 6 – LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

During the year ended June 30, 2019, the following changes occurred in liabilities reported in the long-term liabilities:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General obligation building bonds	$ 24,885,000	$ -	$ 765,000	$ 24,120,000	$ 860,000
Bond premium	303,197	536,192	28,944	810,445	-
Construction loan	33,499,283	-	16,434,753	17,064,530	949,000
Certificate of indebtedness	-	14,215,000	-	14,215,000	1,350,000
Compensated absences	558,738	561,640	525,937	594,441	118,888
Net pension liability	49,829,943	-	430,361	49,399,582	-
Net OPEB liability	-	510,346	-	510,346	-
Total	$ 109,076,161	$ 15,823,178	$ 18,184,995	$ 106,714,344	$ 3,277,888

Governmental Activities

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

Outstanding debt at June 30, 2019 consists of the following issues:

General Obligation Bonds

$2,690,000 General Obligation School Building Bonds of 2011, due in annual installments of $40,000 to $235,000 through October, 2024; interest at 0.75% to 3.10%.	$ 1,310,000
$9,895,000 General Obligation School Building Bond, Series 2014, due in annual installments of $980,000 to $1,240,000 beginning on August 1, 2026 through August 1, 2034; interest at 2.5% to 3.5%.	9,895,000
$4,105,000 General Obligation School Building Bonds, Series 2015A, due in annual installments of $50,000 to $890,000 through August 1, 2025; interest at 2% to 3%.	3,810,000
$3,965,000 General Obligation School Building Bond, Series 2015C, due in annual installments of $120,000 to $255,000 through August 1, 2035; interest at 2% to 3%.	3,510,000
$6,035,000 General Obligation School Building Bonds, Series 2016A, due in annual installments of $190,000 to $415,000 through August 1, 2035; interest at 2% to 3%.	5,595,000
Total general obligation bonds	$ 24,120,000

(Continued)

Debt service requirements on the general obligation bonds, including interest, at June 30, 2019 are as follows:

	Principal	Interest	Total
2020	$ 860,000	$ 685,355	$ 1,545,355
2021	975,000	663,260	1,638,260
2022	1,095,000	638,158	1,733,158
2023	1,210,000	607,614	1,817,614
2024	1,345,000	571,115	1,916,115
2025-2029	7,470,000	2,275,797	9,745,797
2030-2034	8,610,000	1,110,630	9,720,630
2035-2036	2,555,000	60,595	2,615,595
	$ 24,120,000	$ 6,612,524	$ 30,732,524

Construction Loans

$20,000,000 Construction Loan due in annual installments of $500,000 to $770,000 maturing on October 1, 2034; interest at 2%.	$ 17,064,530

Debt service requirements on the construction loans, including interest, at June 30, 2019 are as follows:

	Principal	Interest	Total
2020	$ 949,000	$ 336,472	$ 1,285,472
2021	968,074	317,398	1,285,472
2022	987,533	297,939	1,285,472
2023	1,007,382	278,090	1,285,472
2024	1,027,631	257,841	1,285,472
2025-2029	5,456,413	970,946	6,427,359
2030-2034	6,027,275	400,084	6,427,359
2035-2036	641,222	6,364	647,586
	$ 17,064,530	$ 2,865,134	$ 19,929,664

Certificate of Indebtedness

$14,215,000 Certificate of Indebtedness, Series 2019, due in annual installments of $970,000 to $1,365,000 through August 1, 2030; interest at 3% to 4%.	$ 14,215,000

(Continued)

Debt service requirements on the certificate of indebtedness, including interest, at June 30, 2019 are as follows:

	Principal	Interest	Total
2020	$ 1,350,000	$ 275,279	$ 1,625,279
2021	970,000	419,000	1,389,000
2022	1,005,000	379,500	1,384,500
2023	1,045,000	338,500	1,383,500
2024	1,090,000	295,800	1,385,800
2025-2029	6,065,000	875,150	6,940,150
2030-2031	2,690,000	81,300	2,771,300
	$ 14,215,000	$ 2,664,529	$ 16,879,529

NOTE 7 – PENSION PLANS

General Information about the TFFR Pension Plan

North Dakota Teacher's Fund for Retirement ("TFFR")

The following brief description of TFFR is provided for general information purposes only. Participants should refer to 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 may also qualify for benefits calculated under other formulas.

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

(Continued)

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. Re-funded 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.

At June 30, 2019, the School District reported a liability of $37,751,687 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2018, the School District's proportion was 2.832386 percent, which was an increase of .012953 from its proportion measured as of July 1, 2017.

For the year ended June 30, 2019, the School District recognized pension expense of $4,042,415. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 102,461	$ 1,026,741
Changes of assumptions	2,079,675	-
Net difference between projected and actual earnings on pension plan investments	-	130,520
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,575,349	93,667
Employer contributions subsequent to the measurement date	2,613,561	-
	$ 7,371,046	$ 1,250,928

$2,613,561 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

(Continued)

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

Year ended June 30:	
2020	$ 1,941,024
2021	1,413,291
2022	487,465
2023	(93,767)
2024	(151,840)
Thereafter	(89,616)

Actuarial Assumptions

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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%	1.5%
Global real assets	18%	5.1%
Cash equivalents	1%	0.0%

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2018. 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, 2018, 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, 2018. 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, 2018.

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of net pension liability	$ 50,975,701	$ 37,751,687	$ 26,753,416

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report, located in the North Dakota Retirement and Investments Office's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. Additional financial and actuarial information is available on their website www.nd.gov/rio/sib/publications/cafr/default.htm, or may be obtained by writing to ND Retirement and Investment office, 3442 East Century Avenue, PO Box 7100, Bismarck, North Dakota, 58507-7100 or by calling (701) 328-9885.

General Information about the NDPERS Pension Plan

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

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

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

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

Pension Benefits

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

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

At June 30, 2019, the School District reported a liability of $11,647,895 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of the covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2018, the School District's proportion was 0.690201 percent, which was a decrease of 0.000654 percent from its proportion measured as of June 30, 2017.

(Continued)

For the year ended June 30, 2019, the School District recognized pension expense of $2,283,083. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 30,832	$ 396,284
Changes of assumptions	4,204,647	166,251
Net difference between projected and actual earnings on pension plan investments	-	56,668
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,103,883	42,907
District contributions subsequent to the measurement date	582,141	-
	$ 5,921,503	$ 662,110

$582,141 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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

Year Ended June 30:	
2020	$ 1,560,365
2021	1,404,451
2022	1,156,200
2023	529,924
2024	26,312
Thereafter	-

(Continued)

Actuarial Assumptions

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5%	
Salary increases	Service at Beginning of Year	Increase Rate
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 30	10.00%
	30-39	7.50%
	40-49	6.75%
	50-59	6.50%
	60+	5.25%
	*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%.

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	30%	6.05%
International equity	21%	6.71%
Private equity	7%	10.20%
Domestic fixed income	23%	1.45%
Global real assets	19%	5.11%
Cash equivalents	0%	0.00%

(Continued)

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 3.62%; and the resulting Single Discount Rate is 6.32%.

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 6.32 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.32 percent) or 1-percentage-point higher (7.32 percent) than the current rate:

	1% Decrease (5.32%)	Current Discount Rate (6.32%)	1% Increase (7.32%)
District's proportionate share of net pension liability	$ 15,827,324	$ 11,647,895	$ 8,160,296

Pension Plan Fiduciary Net Position

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

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (OPEB) – ND PERS

General Information about the OPEB Plan

North Dakota Public Employees Retirement System OPEB Plan

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

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited ser-vice. 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.

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 in-creases. 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.

(Continued)

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

At June 30, 2019, the School District reported a liability of $510,346 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of the covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2018, the School District's proportion was 0.648002 percent, which was a decrease of 0.0039 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the School District recognized OPEB expense of $61,487. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 15,279	$ 10,544
Changes of assumptions	41,874	-
Net difference between projected and actual earnings on pension plan investments	-	10,979
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	9,778
District contributions subsequent to the measurement date	93,271	-
	$ 150,424	$ 31,301

$93,271 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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

Year Ended June 30:	
2020	$ 2,701
2021	2,701
2022	2,701
2023	7,546
2024	6,657
Thereafter	3,546

(Continued)

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%	1.46%

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, 2018, and July 1, 2017, 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.

(Continued)

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, 2018, 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 (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of net pension liability	$ 645,709	$ 510,346	$ 394,304

NOTE 9 – RISK MANAGEMENT

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

In 1986, the state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The School District pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of $2,000,000 per occurrence for general liability and automobile; and $772,421 for public asset coverage.

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

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

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

NOTE 10 – RELATED PARTY

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

NOTE 11 – SUBSEQUENT EVENTS

The School District believes it understands the risks associated with COVID-19. The School District is in the process of implementing risk mitigation tactics as to the potential impact, if any, on the School District related to all aspects of the School District's business transactions with vendors and human interaction within and outside the School District's offices and schools.

The District has entered into a formal reorganization plan with Williams County School District #8, whereby the Districts will be reorganized as Williston Basin School District #007, as allowed under NDCC 15.1-12. The reorganization will be effective July 1, 2021.

WILLISTON PUBLIC SCHOOL DISTRICT #1

REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

WILLISTON PUBLIC SCHOOL DISTRICT #1

SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY – NDPERS & NDTFFR
LAST 10 FISCAL YEARS*

Pension Plan	Measurement Date	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Covered-Employee Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
ND TFFR	6/30/2019	2.832386%	$ 37,751,687	$ 19,254,823	196.06%	65.5%
ND TFFR	6/30/2018	2.819433%	$ 38,725,636	$ 19,030,364	203.49%	63.2%
ND TFFR	6/30/2017	2.801734%	$ 41,463,698	$ 19,194,831	216.01%	59.2%
ND TFFR	6/30/2016	2.673772%	$ 34,969,066	$ 16,446,502	212.62%	62.1%
ND TFFR	6/30/2015	2.393571%	$ 25,080,381	$ 13,883,985	180.64%	99.0%
ND PERS	6/30/2019	0.690201%	$ 11,647,895	$ 7,090,552	164.27%	62.8%
ND PERS	6/30/2018	0.690855%	$ 11,104,307	$ 7,052,545	157.45%	62.0%
ND PERS	6/30/2017	0.612159%	$ 5,966,086	$ 7,052,545	84.59%	70.5%
ND PERS	6/30/2016	0.440092%	$ 2,992,550	$ 3,920,682	76.33%	77.2%
ND PERS	6/30/2015	0.413951%	$ 2,627,435	$ 3,487,039	75.35%	93.0%

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

WILLISTON PUBLIC SCHOOL DISTRICT #1

SCHEDULE OF EMPLOYER'S CONTRIBUTIONS – NDPERS & NDTFFR
LAST 10 FISCAL YEARS*

Pension Plan	Measurement Date	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
ND TFFR	6/30/2019	$ 2,613,561	$ (2,613,561)	$ -	$ 20,486,862	12.76%
ND TFFR	6/30/2018	$ 2,447,342	$ (2,447,342)	$ -	$ 19,194,831	12.75%
ND TFFR	6/30/2017	$ 2,344,514	$ (2,344,514)	$ -	$ 18,388,340	12.75%
ND TFFR	6/30/2016	$ 2,096,828	$ (2,096,828)	$ -	$ 16,446,502	12.75%
ND TFFR	6/30/2015	$ 1,424,497	$ (1,424,497)	$ -	$ 13,883,985	10.26%
ND TFFR	6/30/2014	$ 1,492,515	$ (1,492,515)	$ -	$ 11,706,000	12.75%
ND PERS	6/30/2019	$ 522,250	$ (475,899)	$ 46,351	$ 7,090,552	6.71%
ND PERS	6/30/2018	$ 511,395	$ (502,193)	$ 9,202	$ 7,052,545	7.12%
ND PERS	6/30/2017	$ 446,634	$ (487,626)	$ (40,992)	$ 6,169,114	7.90%
ND PERS	6/30/2016	$ 297,808	$ (333,909)	$ (36,101)	$ 3,920,682	8.52%
ND PERS	6/30/2015	$ 248,277	$ (248,277)	$ -	$ 3,487,039	7.12%
ND PERS	6/30/2014	$ 261,528	$ (261,528)	$ -	$ 3,487,039	7.50%

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

WILLISTON PUBLIC SCHOOL DISTRICT #1

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
LAST 10 FISCAL YEARS*

	June 30, 2019	June 30, 2018
NDPERS - OPEB		
Employer's proportion of the net pension liability	0.648002%	0.651902%
Employer's proportionate share of the net pension liability	$ 510,346	$ 515,662
Employer's covered-employee payroll	$ 7,090,552	$ 7,052,545
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	7.20%	7.31%
Plan fiduciary net position as a percentage of the total pension liability	61.9%	59.8%

*Complete data for this schedule is not available prior to 2018.

WILLISTON PUBLIC SCHOOL DISTRICT #1

SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	June 30, 2019	June 30, 2018
NDPERS - OPEB		
Statutorily required contribution	$ 83,168	$ 81,981
Contributions in relation to the statutorily required contribution	$ (76,155)	$ (80,295)
Contribution deficiency (excess)	$ 7,013	$ 1,686
Employer's covered-employee payroll	$ 7,090,552	$ 7,052,545
Contributions as a percentage of covered-employee payroll	1.07%	1.14%

*Complete data for this schedule is not available prior to 2018.

WILLISTON PUBLIC SCHOOL DISTRICT #1

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
LAST 10 FISCAL YEARS*

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
REVENUES				
Local sources	$ 13,822,420	$ 13,822,420	$ 14,401,118	$ 578,698
State sources	32,449,457	32,449,457	32,964,008	514,551
Federal sources	1,768,174	1,768,174	1,450,768	(317,406)
Other sources	5,000	5,000	165,633	160,633
Total revenues	48,045,051	48,045,051	48,981,527	936,476
EXPENDITURES				
Current				
Regular instruction	31,599,401	31,599,401	30,955,895	(643,506)
Federal programs	1,696,479	1,696,479	1,486,418	(210,061)
Special education	2,963,446	2,963,446	2,779,033	(184,413)
Vocational education	1,024,066	1,024,066	663,150	(360,916)
District wide services	3,391,832	3,391,832	3,244,688	(147,144)
Administration	1,901,095	1,901,095	1,859,116	(41,979)
Operations and maintenance	3,777,720	3,777,720	3,859,328	81,608
Transportation	729,151	729,151	711,313	(17,838)
Student activities	1,274,445	1,274,445	1,193,028	(81,417)
Community services	32,650	32,650	7,398	(25,252)
Capital outlay	215,833	215,833	211,736	(4,097)
Debt service				
Principal	1,100,000	1,100,000	15,521,593	14,421,593
Interest	650,000	650,000	580,044	(69,956)
Total expenditures	50,356,118	50,356,118	63,072,740	12,716,622
Excess (deficiency) of revenues over expenditures	(2,311,067)	(2,311,067)	(14,091,213)	(11,780,146)
Other financing sources (uses)				
Bond proceeds	-	-	14,751,192	14,751,192
Transfers out	-	-	(1,500,000)	(1,500,000)
Total other financing sources (uses)	-	-	13,251,192	13,251,192
Net change in fund balance	(2,311,067)	(2,311,067)	(840,021)	1,471,046
FUND BALANCE, JULY 1	12,221,509	12,221,509	12,221,509	-
FUND BALANCE, JUNE 30	$ 9,910,442	$ 9,910,442	$ 11,381,488	$ 1,471,046

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

NOTE 1 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

The Board of Education adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States for the general fund, special revenue funds, debt service funds, and capital project funds.

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

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

North Dakota Public Employees Retirement System (PENSION and OPEB) Changes of Assumptions

Amounts reported in 2019 reflect actuarial assumption changes effective July 1, 2019 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.

WILLISTON PUBLIC SCHOOL DISTRICT #1

SINGLE AUDIT REPORTS AND
SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
JUNE 30, 2019

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Williston Public School District #1**, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise **Williston Public School District #1's** basic financial statements and have issued our report thereon dated January 27, 2021.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses, identified as 2019-001, 2019-002, and 2019-003.

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. We consider the deficiency described in the accompany schedule of findings and questioned costs to be a significant deficiency, identified as 2019-004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Williston Public School District #1's** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and questioned costs as item 2019-005.

Williston Public School District #1's Response to Findings

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

Purpose of this Report

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

Widmer Roel PC

Fargo, North Dakota
January 27, 2021

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

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

Report on Compliance for Each Major Federal Program

We have audited **Williston Public School District #1's** compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of **Williston Public School District #1's** major federal programs for the year ended June 30, 2019. **Williston Public School District #1's** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, **Williston Public School District #1** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Williston Public School District #1**, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise **Williston Public School District #1's** basic financial statements. We issued our report thereon dated January 27, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statement that collectively comprise the basic financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects in relation to the basic financial statements as a whole.

Fargo, North Dakota
January 27, 2021

WILLISTON PUBLIC SCHOOL DISTRICT #1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipient	Total Federal Expenditures
U.S. Department of Agriculture passed through				
North Dakota Department of Public Instruction				
Child Nutrition Cluster				
School Breakfast Program	10.553	None	$ -	$ 135,782
National School Lunch Program	10.555	None	-	610,874
National School Lunch Program-Commodities	10.555	None	-	137,923
Summer Food Service Program	10.559	None	-	43,636
Total Child Nutrition Cluster			-	928,215
State Administrative Expenses for Child Nutrition	10.560	None	-	7,953
Fresh Fruits and Vegetable Program	10.582	173ND378L1903 183ND378L1603	-	101,516
Subtotal Department of Agriculture			-	1,037,684
U.S. Department of Education Direct Assistance				
Indian Education - Grants to Local Educational Agencies	84.060	None	-	37,801
U.S. Department of Education passed through				
North Dakota Department of Public Instruction				
Title I - Grants to Local Educational Agencies	84.010	None	-	923,155
Education for Homeless Children and Youth	84.196	PII022	-	5,141
Title III - English Language Acquisition State Grant	84.365	None	-	51,872
Title II, Part A - Supporting Effective Instruction State Grant	84.367	None	-	306,379
Title IV, Part A - Student Support and Academic Enrichment Grants	84.424	None	-	109,523
State Board of Career and Technical Education				
Career and Technical Education - Basic Grants to States	84.048	None	-	27,346
Subtotal Department of Education			-	1,461,217
Total expenditures of federal awards			$ -	$ 2,498,901

WILLISTON PUBLIC SCHOOL DISTRICT #1

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Williston Public School District #1 under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Williston Public School District #1, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Williston Public School District #1.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE 3 – NONCASH AWARDS

The District received $137,923 in commodities, which are reported in the Schedule under the National School Lunch Program, CFDA#10.555. The value of the supplemental food program distributed by the District during the year is priced by the North Dakota Department of Public Instruction. The amount of commodities reported in the Schedule is the value of supplemental food program distributed by the District during the year as priced by the North Dakota Department of Public Instruction.

NOTE 4 – NOT AVAILABLE (NONE)

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

WILLISTON PUBLIC SCHOOL DISTRICT #1

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

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

Type of auditor's report issued on compliance for major programs:	
Child Nutrition Cluster (10.553, 10.555, 10.559)	Unmodified
Title I – Grants to Local Education Agencies (84.010)	Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR section 200.516(a)?		yes	X	no

Identification of major programs:

CFDA Number	**Name of Federal Program**
10.553, 10.555, 10.559	Child Nutrition Cluster
84.010	Title I – Grants to Local Education Agencies

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee?		yes	X	no

SECTION II – FINANCIAL STATEMENT FINDINGS

2019-001 (MATERIAL WEAKNESS) – SEGREGATION OF DUTIES

Condition

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

Criteria

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

Cause

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

Effect

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

Recommendation

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

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

Views of Responsible Officials

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

2019-002 (MATERIAL WEAKNESS) – FINANCIAL STATEMENT PREPARATION

Condition

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

Criteria

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

Cause

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

Effect

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

Recommendation

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

Views of Responsible Officials

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

2019-003 (MATERIAL WEAKNESS) – MATERIAL AUDIT ADJUSTMENTS

Condition

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

Criteria

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

Cause

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

Effect

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

Recommendation

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

Views of Responsible Officials

The District will continue to implement controls for the reconciling of significant accounts.

2019-004 (SIGNIFICANT DEFICIENCIES) – RECONCILIATION OF CASH

Condition

The District's bank reconciliation did not balance to the general ledger cash amounts recorded. The amounts on the bank reconciliation exceeded the general ledger balances by $101,855.

Criteria

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

Cause

Manual journal entries were posted to the general ledger after the reconciliations were performed and the reconciliations were not reperformed. Staff performing the reconciliations does not have adequate training for performing the bank reconciliations.

Effect

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

Recommendation

We recommend that the Board members should be reviewing the bank reconciliations on a monthly basis to ensure all items are being properly recorded and match what is recorded in the financial statements.

Views of Responsible Officials

2019-005 (NONCOMPLIANCE) – UNTIMELY FILING OF THE DATA COLLECTION FORM

Condition

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

Criteria

2 CFR Section 200.512 requires Single Audits to be submitted by the earlier of 9 months after fiscal year-end or 30 days after issuance of the audit report.

Cause

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

Effect

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

Recommendation

We recommend that the District work with the auditors to help ensure the audit can be completed early enough to allow the Data Collection Form to be filed within the required time limits. The plan put in place for the 2020 audit includes providing requested audit documentation in advance, beginning field work earlier in the year, and clarifying communication roles of responsibilities.

Views of Responsible Officials

WILLISTON PUBLIC SCHOOL DISTRICT #1

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

2018-001 (MATERIAL WEAKNESS) SEGREGATION OF DUTIES

Condition

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

Recommendation

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

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

Current Status

Current staff size prevents resolution of the finding. The finding remains open and is reported as 2019-001.

2018-002 (MATERIAL WEAKNESS) FINANCIAL STATEMENTS PREPARATION

Condition

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

Recommendation

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

Current Status

Current staff size prevents resolution of the finding. The finding remains open and is reported as 2019-002.

WILLISTON PUBLIC SCHOOL DISTRICT #1

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

2018-003 (MATERIAL WEAKNESS) MATERIAL AUDIT ADJUSTMENTS

Condition

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

Recommendation

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

Current Status

Similar audit adjustments were required during this audit. The finding remains open and is reported as 2019-003.

2018-004 (MATERIAL WEAKNESS) RECONCILIATION OF CASH

Condition

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

Recommendation

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

Current Status

The District has made changes to their reconciliation procedures but has not fully implemented the corrective action plan that was described in the prior year audit report. The finding remains open and is reported as 2019-004.

2018-005 (MATERIAL WEAKNESS) IDENTIFYING AND RECORDING CAPITAL ASSETS

Condition

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

Recommendation

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

Current Status

The District has made changes in their procedure to identifying capital asset additions in the current year. This finding is considered corrected.

2018-006 (NONCOMPLIANCE) UNTIMELY FILING OF THE DATA COLLECTION FORM

Condition

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

Recommendation

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

Current Status

The District has not implemented the corrective action plan that was described in the prior year audit report. The finding remains open and is reported as 2019-005.

2018-007 (OTHER MATTERS AND MATERIAL WEAKNESS IN INTERNAL CONTROL OVER COMPLIANCE) – MISSING REMOVAL FROM PROGRAM

Condition

During the prior year, the District had one family with two students that were not able to verify household income and were not removed from the program by the November 15th deadline.

Recommendation

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

Current Status

The District has implemented procedures to ensure that the program director properly removes a family from receiving free or reduced meals if they are unable to verify the household income if requested. No such issue was noted in the current year. This finding is considered corrected.

Williston Public School District #1

Dr. Jeffrey Thake, Superintendent

Post Office Box 1407

Williston, ND 58802-1407

Phone (701) 572-1580

Fax (701) 572-3547

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION

The Williston Public School District #1 respectfully submits the following views of responsible officials and planned corrective action for the year ended June 30, 2019.

Name and address of independent public accounting firm:

Widmer Roel PC

4334 18th Avenue S, Suite 101

Fargo, ND 58103-7414

Audit period: June 30, 2019

The findings from the June 30, 2019 Schedule of Findings and Responses are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

2019-001 – SEGREGATION OF DUTIES

Finding

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

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

- All invoices should be reviewed and approved by an administrator and the School Board.
- Ideally, all checks should be signed by a School Board member.

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

Views of Responsible Officials and Planned Corrective Action

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

2019-002 PREPARATION OF GAAP FINANCIAL STATEMENTS

Finding

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

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

Views of Responsible Officials and Planned Corrective Action

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

2019-003 – MATERIAL AUDIT ADJUSTMENTS

Finding

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

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

Views of Responsible Officials and Planned Corrective Action

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

2019-004 – RECONCILIATION OF CASH

Finding

The District's bank reconciliation did not balance to the general ledger cash amounts recorded and were not reconciled until months after year-end. There were many transactions after year-end which are included in the bank reconciliation due to the timing of the reconciliation being completed. Inadequate internal controls over recording of cash transactions affects the District's ability to detect misstatements in amounts that could be material in relation to the financial statements. It also does not assist in determining the amount of cash the District has to purchase services or goods.

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

Views of Responsible Officials and Planned Corrective Action

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

2019-005 – UNTIMELY FILING OF THE DATA COLLECTION FORM

Finding

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

We recommend that the District work with the auditors to help ensure the audit can be completed early enough to allow the Data Collection Form to be filed within the required time limits. The plan put in place for the 2020 audit includes providing requested audit documentation in advance, beginning field work earlier in the year, and clarifying communication roles of responsibilities.

Views of Responsible Officials and Planned Corrective Action

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

Sincerely yours,

Jodi Germundson

Jodi Germundson, CPA

Business Manager

Williston Public School District #1