



Financial Statements  
June 30, 2015

# Williston Public School District #1

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School Board Members

Dave Richter – President  
Kim Semenko – Board Member  
Sara Kasmer – Board Member  
Brett Vibeto – Board Member  
Brion Norby – Board Member

Superintendent

Dr. Viola Lafontaine

Assistant Superintendent of Business Services

Pamela Lambert



## Independent Auditor's Report

Board of Education  
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), Williston, North Dakota as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit 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.

### **Basis for Qualified Opinion on the Statement of Net Position – Accrued Payroll Liabilities**

The School District was unable to provide information supporting accounting transactions and balances related to accrued payroll liabilities due to the School District not maintaining support for the balances reported. As a result of this matter, we were unable to obtain sufficient appropriate audit evidence to draw reasonable conclusions on which to base our opinion over accrued payroll liabilities.

### **Qualified Opinions**

In our opinion, except for the possible effects of the matter discussed in the “Basis for Qualified Opinion on the Statement of Net Position – Accrued Payroll Liabilities” paragraph, 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, Williston, North Dakota, as of June 30, 2015, 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**

#### **Change in Accounting Principle**

As discussed in Notes 1 and 9 to the financial statements, Williston Public School District #1 has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has resulted in a restatement of the net position as of July 1, 2014 as discussed in Note 10 to the financial statements. Our opinions are not modified with respect to this matter.

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, Schedule of Employer’s Share of Net Pension Liability and Schedule of Employer Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquires, 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 the accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

**Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Williston Public School District #1's financial statements. The School District officials listing is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*, and is also not a required part of the financial statements.

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

The schedule of expenditures of federal awards 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated August 16, 2017 on our consideration of 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

The signature is written in a cursive, handwritten style. It reads "Eide Bailly LLP". The letters are dark and the ink appears to be on a light-colored surface.

Bismarck, North Dakota  
August 16, 2017

Williston Public School District #1  
Statement of Net Position  
June 30, 2015

Assets	
Cash and cash equivalents	\$ 25,401,471
Taxes receivable	55,073
Intergovernmental receivable	3,052,982
Due from county treasurer	45,445
Prepaid expense	315,449
Capital assets not being depreciated	
Land	3,078,290
Construction in process	10,828,037
Capital assets, net of accumulated depreciation	
Buildings	14,354,979
Modular leasehold improvements	1,670,000
Furniture and equipment	1,800,911
Vehicles	800,274
Site improvements	1,277,672
Total capital assets	<u>33,810,163</u>
Deferred Outflows of Resources	
Pension plans	<u>5,402,351</u>
Total assets and deferred outflows of resources	<u>\$ 68,082,934</u>
Liabilities	
Accounts payable	\$ 3,879,780
Salaries and benefits payable	2,661,291
Interest payable	150,109
Long-term liabilities	
Portion due or payable within one year	
Compensated absences payable	128,904
Capital lease payable	537,084
Bond payable	220,643
Portion due or payable after one year	
Compensated absences payable	515,617
Capital lease payable	1,084,095
Bond payable	16,095,297
Bond premium	188,844
Net pension liability	27,707,816
Total liabilities	<u>53,169,480</u>
Deferred Inflows of Resources	
Pension plans	<u>3,362,075</u>
Net Position	
Net investment in capital assets	15,873,044
Restricted for	
Debt services	1,393,527
Special reserve	546,746
Capital projects	15,417,025
Unrestricted	(21,678,963)
Total net position	<u>11,551,379</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 68,082,934</u>

Williston Public School District #1  
Statement of Activities  
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Regular instruction	\$ 22,859,163	\$ 124,695	\$ 1,856,625	\$ (20,877,843)
Federal programs	1,603,738	-	1,733,483	129,745
Special education	2,818,701	-	1,136,668	(1,682,033)
Vocational education	744,719	-	54,332	(690,387)
District wide services	1,823,856	-	-	(1,823,856)
Administration	1,605,159	-	-	(1,605,159)
Operations and maintenance	3,315,013	-	-	(3,315,013)
Food service	1,939,248	1,099,267	616,969	(223,012)
Transportation	728,943	-	-	(728,943)
Student activities	817,409	62,741	-	(754,668)
Community services	122,780	-	-	(122,780)
Interest expense and fees	284,554	-	-	(284,554)
Total governmental activities	<u>\$ 38,663,283</u>	<u>\$ 1,286,703</u>	<u>\$ 5,398,077</u>	<u>(31,978,503)</u>
General Revenues				
Property taxes; levied for general purposes				6,838,276
Property taxes; levied for building purposes				991,015
Property taxes; levied for technology				1,262
State aid revenue from County				291,910
Telecommunications revenue				70,843
In lieu of taxes				91,781
Sales tax levy				1,378,964
Oil and gas tax				3,334,092
State aid not restricted to specific program				22,450,819
Earnings on investments				25,675
Miscellaneous revenue				746,409
Total general revenues				<u>36,221,046</u>
Changes in Net Position				<u>4,242,543</u>
Net Position - July 1, as restated (Note 10)				<u>7,308,836</u>
Net Position - June 30				<u>\$ 11,551,379</u>



Williston Public School District #1  
Balance Sheet  
June 30, 2015

	General	Debt Service	Building Fund	Food Service	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 5,188,543	\$ 1,388,022	\$ 18,154,800	\$ 124,586	\$ 545,520	\$ 25,401,471
Taxes receivable	50,338	-	4,735	-	-	55,073
Intergovernmental receivable	2,209,590	-	833,333	10,059	-	3,052,982
Due from county treasurer	34,236	5,505	4,478	-	1,226	45,445
Prepaid expense	281,415	-	-	34,034	-	315,449
<b>Total assets</b>	<b><u>\$ 7,764,122</u></b>	<b><u>\$ 1,393,527</u></b>	<b><u>\$ 18,997,346</u></b>	<b><u>\$ 168,679</u></b>	<b><u>\$ 546,746</u></b>	<b><u>\$ 28,870,420</u></b>
<b>Liabilities</b>						
<b>Liabilities</b>						
Accounts payable	\$ 302,806	\$ -	\$ 3,575,586	\$ 1,388	\$ -	\$ 3,879,780
Salaries and benefits payable	2,590,577	-	-	70,714	-	2,661,291
<b>Total liabilities</b>	<b><u>2,893,383</u></b>	<b><u>-</u></b>	<b><u>3,575,586</u></b>	<b><u>72,102</u></b>	<b><u>-</u></b>	<b><u>6,541,071</u></b>
<b>Deferred Inflows of Resources</b>						
<b>Unavailable Revenue -</b>						
Tuition for local education agency	108,229	-	-	-	-	108,229
Property Taxes	50,338	-	4,735	-	-	55,073
<b>Total deferred inflows of resources</b>	<b><u>158,567</u></b>	<b><u>-</u></b>	<b><u>4,735</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>163,302</u></b>
<b>Fund Balances</b>						
Nonspendable	281,415	-	-	-	-	281,415
Restricted for						
Debt service	-	1,393,527	-	-	-	1,393,527
Special reserve	-	-	-	-	546,746	546,746
Capital outlay	-	-	15,417,025	-	-	15,417,025
Assigned for						
Food service	-	-	-	96,577	-	96,577
Unassigned	4,430,757	-	-	-	-	4,430,757
<b>Total fund balances</b>	<b><u>4,712,172</u></b>	<b><u>1,393,527</u></b>	<b><u>15,417,025</u></b>	<b><u>96,577</u></b>	<b><u>546,746</u></b>	<b><u>22,166,047</u></b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b><u>\$ 7,764,122</u></b>	<b><u>\$ 1,393,527</u></b>	<b><u>\$ 18,997,346</u></b>	<b><u>\$ 168,679</u></b>	<b><u>\$ 546,746</u></b>	<b><u>\$ 28,870,420</u></b>

Williston Public School District #1  
 Reconciliation of the Balance Sheet to the Statement of Net Position  
 Year Ended June 30, 2015

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Total Fund Balances - Governmental Funds	\$ 22,166,047
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	33,810,163
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	(150,109)
Property taxes and revenues from local education agencies 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	163,302
Compensated absences are not due and payable in the current period and, therefore, is not reported as liabilities in the funds	(644,521)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	2,040,276
Long-term liabilities applicable to the School District's net pension liability are not due and payable in the current period and accordingly are not reported as fund liabilities-both current and long-term are reported in the statement of net position.	(27,707,816)
Long-term liabilities, including bonds payable and financing leases, are not due and payable in the current period and, therefore, are not reported in the funds	<u>(18,125,963)</u>
Total net position of governmental activities	<u><u>\$ 11,551,379</u></u>

Williston Public School District #1  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2015

	General	Debt Service	Building Fund	Food Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Local sources	\$ 11,889,816	\$ 1,378,964	\$ 991,015	\$ 1,099,266	\$ 293,256	\$ 15,652,317
State sources	23,752,284	-	1,745,310	86,403	-	25,583,997
Federal sources	1,733,483	-	-	530,566	-	2,264,049
Other sources	6,568	-	12,249	-	-	18,817
Total revenues	<u>37,382,151</u>	<u>1,378,964</u>	<u>2,748,574</u>	<u>1,716,235</u>	<u>293,256</u>	<u>43,519,180</u>
<b>Expenditures</b>						
Regular instruction	22,817,607	33,852	-	-	-	22,851,459
Federal programs	1,603,738	-	-	-	-	1,603,738
Special education	2,818,701	-	-	-	-	2,818,701
Vocational education	723,067	-	-	-	-	723,067
District wide services	1,780,551	-	-	-	-	1,780,551
Administration	1,561,854	-	-	-	-	1,561,854
Operations and maintenance	2,424,812	-	803,592	-	-	3,228,404
Food service	-	-	-	1,852,639	-	1,852,639
Transportation	469,116	-	-	-	-	469,116
Student activities	622,538	-	-	-	-	622,538
Community services	122,780	-	-	-	-	122,780
Capital outlay	926,459	-	12,366,708	-	-	13,293,167
Debt service						
Principal	48,821	190,000	29,151	-	-	267,972
Interest and fees	-	140,702	12,093	-	-	152,795
Total expenditures	<u>35,920,044</u>	<u>364,554</u>	<u>13,211,544</u>	<u>1,852,639</u>	<u>-</u>	<u>51,348,781</u>
Excess of Revenues over Expenditures	<u>1,462,107</u>	<u>1,014,410</u>	<u>(10,462,970)</u>	<u>(136,404)</u>	<u>293,256</u>	<u>(7,829,601)</u>
<b>Other Financing Sources</b>						
Bond proceeds	-	-	14,188,844	-	-	14,188,844
Capital lease additions	-	-	1,670,000	-	-	1,670,000
Total Financing Sources	<u>-</u>	<u>-</u>	<u>15,858,844</u>	<u>-</u>	<u>-</u>	<u>15,858,844</u>
Net Change in fund balance	<u>1,462,107</u>	<u>1,014,410</u>	<u>5,395,874</u>	<u>(136,404)</u>	<u>293,256</u>	<u>8,029,243</u>
Fund Balance, Beginning of Year	<u>3,250,065</u>	<u>379,117</u>	<u>10,021,151</u>	<u>232,981</u>	<u>253,490</u>	<u>14,136,804</u>
Fund Balance, End of Year	<u>\$ 4,712,172</u>	<u>\$ 1,393,527</u>	<u>\$ 15,417,025</u>	<u>\$ 96,577</u>	<u>\$ 546,746</u>	<u>\$ 22,166,047</u>

Williston Public School District #1

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of  
Activities  
Year Ended June 30, 2015

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Net Change in Fund Balances - Total Governmental Funds		\$ 8,029,243
Amounts reported for governmental activities in the statement of activities are different because:		
<p>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:</p>		
Capital outlay	\$ 13,293,167	
Depreciation expense	<u>(2,165,228)</u>	11,127,939
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		267,972
<p>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</p>		
		(15,858,844)
<p>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.</p>		
Net increase in compensated absences	\$ (178,254)	
Net increase in interest payable	<u>(131,759)</u>	(310,013)
<p>In the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.</p>		
		1,599,600
<p>Some revenues reported on 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.</p>		
		<u>(613,354)</u>
Change in net position of governmental activities		<u><u>\$ 4,242,543</u></u>

Williston Public School District #1  
Statement of Fiduciary Net Position  
June 30, 2015

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	<u>Agency Funds</u>
Assets	
Cash and investments	<u>\$ 609,092</u>
Total assets	<u><u>\$ 609,092</u></u>
Liabilities	
Due to others	\$ 384,629
Due to primary government	<u>224,463</u>
Total liabilities	<u><u>\$ 609,092</u></u>

## **Note 1 - Summary of Significant Accounting Policies**

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

### **Reporting Entity**

The accompanying financial statements present the 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 such that exclusion would cause the School District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criterion includes appointing a voting majority of an organization's governing body and (1) the ability of the Williston Public School District #1 to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on Williston Public School District #1.

Based on these criteria, there are no component units to be included within the Williston Public School District #1 as a reporting entity.

### **Government-wide and Fund Financial Statements**

Government-wide statements – The statement of net position and the statement of activities report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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 (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (b) 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 aggregated and reported as nonmajor funds.

**Measurement Focus, Basis of Accounting, Financial Statement Presentation, and Non-Exchange Transactions**

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

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

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

The School District reports the following major governmental funds.

General fund – This is the 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.

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.

Building fund – This fund is used to account for additions and some of the repairs to the buildings owned by the School District.

Food Service fund – This 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.

The School District reports the following fund type:

Agency funds – These funds account 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.

### Capital Assets

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

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

Land and building improvements	20-40 years
Modular leasehold improvements	2 years
Buildings	20-50 years
Vehicles	8-15 years
Furniture and equipment	5-10 years

### Compensated Absences

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

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

### Deferred Outflows and Inflows of Resources

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

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



### **Long-Term Obligations**

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

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

### **Fund Financial Statements**

Governmental 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 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 /committed* 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 directly 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:

1. Charges for services – these arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. 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.
3. 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.

## **Pensions**

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

## **Implementation of GASB Statement No. 68 and GASB Statement No. 71**

As of July 1, 2014, the School District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The effect of the implementation of these standards on beginning net position is disclosed in Note 10 and the additional disclosures required by these standards are included in Note 9.

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

**Note 2 - Cash and Cash Equivalents**

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

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

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

At year ended June 30, 2015, the School's carrying amount of deposits was as follows:

Governmental funds	\$ 25,401,471
Agency funds	<u>609,092</u>
	<u>\$ 26,010,563</u>

The bank balances of these deposits were \$28,313,852. Of the bank balances, \$1,000,000 was covered by Federal Depository Insurance. The remaining balance of \$27,313,852 was collateralized with securities held by the pledging financial institution's agent in the government's name.

### **Interest Rate Risk**

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

### **Credit Risk**

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

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

As of June 30, 2015, the School District held certificates of deposit in the amount of \$13,962,198, 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 limit on the amount the School District may invest in any one issuer.

### **Note 3 - Taxes Receivable**

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

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

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

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

**Note 4 - 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, 2015.

Governmental Activities	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets not being depreciated				
Land	\$ 3,078,290	\$ -	\$ -	\$ 3,078,290
Construction in process	131,329	10,696,708	-	10,828,037
Total capital assets not being depreciated	<u>3,209,619</u>	<u>10,696,708</u>	<u>-</u>	<u>13,906,327</u>
Capital assets, being depreciated				
Land and building improvements	3,461,099	-	-	3,461,099
Modular leasehold improvements	2,355,848	1,670,000	-	4,025,848
Buildings	23,913,419	-	-	23,913,419
Vehicles	1,639,526	232,580	-	1,872,106
Furniture and equipment	2,618,884	693,879	-	3,312,763
Total capital assets, being depreciated	<u>33,988,776</u>	<u>2,596,459</u>	<u>-</u>	<u>36,585,235</u>
Less accumulated depreciation for				
Land and building improvements	2,076,848	106,579	-	2,183,427
Modular leasehold improvements	1,177,924	1,177,924	-	2,355,848
Buildings	9,053,089	505,351	-	9,558,440
Vehicles	959,159	112,673	-	1,071,832
Furniture and equipment	1,249,151	262,701	-	1,511,852
Total accumulated depreciation	<u>14,516,171</u>	<u>2,165,228</u>	<u>-</u>	<u>16,681,399</u>
Total capital assets, being depreciated, net	<u>19,472,605</u>	<u>431,231</u>	<u>-</u>	<u>19,903,836</u>
Governmental activities capital assets, net	<u>\$ 22,682,224</u>	<u>\$ 11,127,939</u>	<u>\$ -</u>	<u>\$ 33,810,163</u>

Depreciation expense was charged to functions/programs of the School District for June 30, 2015 as follows:

Regular instruction	\$ 1,429,050
Vocational education	21,652
District wide services	43,305
Administration	43,305
Operations and maintenance	86,609
Food service	86,609
Transportation	259,827
Student activities	194,871
	<u>194,871</u>
Total depreciation expense - governmental activities	<u><u>\$ 2,165,228</u></u>

**Note 6 - Salaries and Benefits Payable**

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

**Note 7 - Long-Term Debt**

**Changes in Long-Term Liabilities**

During the year ended June 30, 2015, the following changes occurred in liabilities reported in long-term liabilities:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015	Due Within One Year
Compensated absences	\$ 466,267	\$ 364,073	\$ (185,819)	\$ 644,521	\$ 128,904
Faculty Apartment Loan	255,091	-	(29,151)	225,940	30,643
Modulars Capital Lease	-	1,670,000	(48,821)	1,621,179	537,084
Bond Premium	-	188,844	-	188,844	-
GO Bonds payable	2,280,000	14,000,000	(190,000)	16,090,000	190,000
	<u>2,280,000</u>	<u>14,000,000</u>	<u>(190,000)</u>	<u>16,090,000</u>	<u>190,000</u>
Total	<u><u>\$ 3,001,358</u></u>	<u><u>\$ 16,222,917</u></u>	<u><u>\$ (453,791)</u></u>	<u><u>\$ 18,770,484</u></u>	<u><u>\$ 886,631</u></u>

**Governmental Activities**

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

Outstanding debt at June 30, 2015 consists of the following issues:

**Faculty Apartment Loan**

\$324,000 Faculty Apartment Loan, due in monthly installments of \$3,437 with a balloon payment due on November 15, 2016; interest at 5.00% \$ 225,940

Debt service requirements on the faculty apartment loan, including interest, at June 30, 2015 are as follows:

Year Ending June 30	Faculty Apartment Loan	
	Principal	Interest
2016	\$ 30,643	\$ 10,601
2017	195,297	3,959
Total	<u><u>\$ 225,940</u></u>	<u><u>\$ 14,560</u></u>

**Capital Lease**

\$1,670,000 Capital Lease payable for the use of 4 modular buildings, due in monthly installments of \$48,821 through May 25, 2018; interest at 3.54% \$ 1,621,179

Debt service requirements on the capital lease, including interest, at June 30, 2015 are as follows:

Year Ending June 30	Capital Lease Payable	
	Principal	Interest
2016	\$ 537,084	\$ 44,783
2017	556,329	29,413
2018	527,766	9,369
Total	<u><u>\$ 1,621,179</u></u>	<u><u>\$ 83,565</u></u>

**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 .75% to 3.10% \$ 2,090,000

\$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% 4,105,000

Total General Obligation Bonds \$ 16,090,000

Williston Public School District #1  
Notes to Financial Statements  
June 30, 2015

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Debt service requirements on the general obligation bonds, including interest, at June 30, 2015 are as follows:

<u>Year Ending June 30</u>	<u>General Obligation Bonds 2011</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 190,000	\$ 49,325
2017	195,000	46,432
2018	195,000	43,118
2019	200,000	39,460
2020	205,000	35,000
2021-2025	<u>1,105,000</u>	<u>85,095</u>
Total	<u>\$ 2,090,000</u>	<u>\$ 298,430</u>

<u>Year Ending June 30</u>	<u>General Obligation Bonds 2014</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ -	\$ 302,915
2017	-	302,915
2018	-	302,915
2019	-	302,915
2020	-	302,915
2021-2025	-	1,514,575
2026-2030	5,170,000	1,245,214
2031-2034	<u>4,725,000</u>	<u>404,123</u>
Total	<u>\$ 9,895,000</u>	<u>\$ 4,678,486</u>

<u>Year Ending June 30</u>	<u>General Obligation Bonds 2015</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ -	\$ 70,926
2017	50,000	104,325
2018	100,000	102,075
2019	145,000	98,400
2020	230,000	93,925
2021-2025	<u>3,580,000</u>	<u>331,913</u>
Total	<u>\$ 4,105,000</u>	<u>\$ 801,564</u>



## **Note 8 - Risk Management**

The Williston Public School District #1 is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986 state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), 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 Williston Public School District pays an annual premium to NDRIF for its general liability, automobile and inland marine insurance coverage. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability and automobile and \$172,151 for public asset coverage.

The Williston Public School District #1 also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The School District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of two million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The Williston Public School District #1 has workers compensation with the North Dakota 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 9 - Pension Plans**

### **A. Plan Descriptions**

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

#### **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.

### **North Dakota Public Employees' Retirement System (Main System) (NDPERS)**

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

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

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

## **B. Pension Benefits**

### **TFFR**

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

#### **Tier 1 Grandfathered**

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

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

### **Tier 1 Non-Grandfathered**

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

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

### **Tier 2**

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

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

### **NDPERS**

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

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

### **C. Death and Disability Benefits**

#### **TFFR**

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

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

#### **NDPERS**

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

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

### **D. Refunds of Member Account Balance**

#### **TFFR**

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

## **NDPERS**

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

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

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

## **E. Member and Employer Contributions**

### **TFFR**

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

The School District's contributions to TFFR, for the fiscal years ended June 30, 2015, 2014 and 2013 were \$4,281,264, \$2,873,669, and \$2,377,514, respectively, and were equal to the required employer contributions for the year plus the member contributions which are paid by the School District.

### **NDPERS**

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

The School District's contributions to NDPERS, for the fiscal years ended June 30, 2015, 2014 and 2013 were \$844,129, \$604,965, and \$458,428, respectively, and were equal to the required employer contributions for the year.

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

**TFFR**

At June 30, 2015, the Employer reported a liability of \$25,080,381 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2014, the Employer's proportion was 2.393571 percent.

For the year ended June 30, 2015, the Employer recognized pension expense of \$1,524,551. At June 30, 2015, the Employer 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	\$ 191,773	\$ -
Changes in assumptions		
Net difference between projected and actual earnings on pension plan investments		2,849,189
Changes in proportion and differences between employer contributions and proportionate share of contributions		
Employer contributions subsequent to the measurement date	4,281,264	
Total	\$ 4,473,037	\$ 2,849,189

\$4,281,264 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2015.

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			
2016		\$	(680,942)
2017			(680,942)
2018			(680,942)
2019			(680,942)
2020			31,990
Thereafter			34,362

**NDPERS**

At June 30, 2015, the Employer reported a liability of \$2,627,435 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the School District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2014, the Employer's proportion was 0.413951 percent.

For the year ended June 30, 2015, the Employer recognized pension expense of \$259,972. At June 30, 2015, 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	\$ 85,185	\$ -
Changes in assumptions		
Net difference between projected and actual earnings on pension plan investments		512,886
Changes in proportion and differences between employer contributions and proportionate share of contributions		
Employer contributions subsequent to the measurement date	844,129	
Total	\$ 929,314	\$ 512,886

\$844,129 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2015.

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		
2016	\$	(110,097)
2017		(110,097)
2018		(110,097)
2019		(110,097)
2020		12,687
Thereafter		-

**G. Actuarial Assumptions**

**TFFR**

The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases	4.50% to 14.75%, varying by service, including inflation and productivity
Investment rate of return	8.00%, net of investment expenses
Cost-of-living adjustments	None

For inactive members and healthy retirees, mortality rates are based on 80% of GRS Table 378 and 75% of GRS Table 379. For active members, mortality rates are based on the post-retirement mortality rates multiplied by 60% for males and 40% for females. For disabled retirees, mortality rates are based on the RP-2000 Disabled-Life tables for Males and Females multiplied by 80% and 95%, respectively.

The actuarial assumptions used were based on the results of an actuarial experience study dated January 21, 2010. They are the same as the assumptions used in the July 1, 2014, funding actuarial valuation for TFFR.

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



<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equities	57.0%	7.53%
Global Fixed Income	22.0%	1.40%
Global Real Assets	20.0%	5.38%
Cash Equivalents	1.0%	0.00%

### NDPERS

The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary Increases	3.85% per annum for four years, then 4.5% per annum
Investment rate of return	8.00%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table with ages set back three years. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (not set back for females).

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2010. They are the same as the assumptions used in the July 1, 2014, funding actuarial valuation for NDPERS.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.0%	6.90%
International Equity	21.0%	7.55%
Private Equity	5.0%	11.30%
Domestic Fixed Income	17.0%	1.55%
International Fixed Income	5.0%	0.90%
Global Real Assets	20.0%	5.38%
Cash Equivalents	1.0%	0.00%

#### H. Discount Rate

The discount rate used to measure the total pension liability for TFFR and NDPERS was 8 percent as of June 30, 2014. 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, 2014, 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, 2014. 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, 2014.

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Single Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
District's proportionate share of the TFFR net pension liability	\$ 33,863,165	\$ 25,102,775	\$ 17,693,799
District's proportionate share of the NDPERS net pension liability	\$ 4,052,284	\$ 2,627,437	\$ 1,436,068

**J. Pension Plan Fiduciary Net Position**

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

**Note 10 - Restatement of Beginning Net Position**

As of July 1, 2014, the School District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the cost and obligations associated with pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date.

The adjustments to the beginning balance of net position is as follows:

Beginning of year net position, as previously reported	\$ 34,575,976
Net pension liability at June 30, 2014	(30,745,774)
Deferred outflows of resources related to contributions made during the year ended June 30, 2014	3,478,634
Beginning of year net position, as restated	\$ 7,308,836

**Note 11 - Commitments and Contingencies**

**Construction Commitments**

As of June 30, 2015, the School District had commitments totaling \$52,223,303 for the construction of their new high school. As of June 30, 2015, the School District had paid \$4,424,012 with remaining commitments of \$47,799,291.

**Note 12 - Subsequent Events**

Subsequent to year-end the School District has approved the issuance of Williams County State Aid Bonds Series 2015 in the amount of \$18,000,000 with a variable interest rate not to be less than 1.75%, General Obligation School Building Bond Series 2015B in the amount of \$20,000,000 with an interest rate of 5%, General Obligation Building Fund Bond Series 2015C in the amount of \$3,950,000 with a variable interest rate ranging from 2% to 3%, and General Obligation School Building Bonds Series 2016A in the amount of \$6,035,000 with a variable interest rate ranging from 2% to 3% for the purpose of constructing their new high school.

### **Note 13 - Contingent Litigation**

WEA vs. Williston Public School District. In April 2013, the WEA brought suit against the School, seeking damages for breach of contract. On August 28, 2015, the District Court entered judgement against the School to pay middle school teachers 1/7 of their salary for the 2012-13 school year. The School appealed the North Dakota Supreme Court reversed and remanded back to the District Court. On June 29, 2016, the parties executed a Settlement Agreement and Release of Claims, where the School agreed to pay twenty-seven middle school teachers 1/7 of their salary for the 2012-13 school year, totaling \$172,919.63. The parties then stipulated to dismissal and the lawsuit was dismissed with prejudice on July 29, 2016. The School's insurer covered the School's attorney fees in defending this matter, but the School was responsible for the settlement amount which was subject to state and federal income taxes, FICA, and teachers fund for retirement.

Aguilera vs. Williston Public School District. The North Dakota Department of Labor and Human Rights determined that it was unable to conclude that a violation of applicable statutes has occurred. Mr. Aguilera had until September 16, 2015 to bring a state law action under the North Dakota Human Rights act, and until November 19, 2015 to bring a federal law action under Title VII. He failed to do so and nothing is currently pending. The School's insurer covered the School's attorney's fees in defending the matter.

Staton vs. Williston Public School #1. The North Dakota Department of Labor and Human Rights determined that it was unable to conclude that a violation of applicable statutes has occurred. Mr. Staton had until November 27, 2015 to bring a state law action and/or until September 15, 2015 to request the EEOC review the Department of Labor's determination. He failed to do so and nothing is currently pending. The School's insurer covered the School's attorney's fees in defending this matter.

Bouraima vs. Williston Public School #1. In December 2016, a charge of discrimination was filed with the North Dakota Department of Labor and Human Rights. The complainant alleges she was terminated from employment as a substitute teacher based on her race and color. The School responded on February 3, 2017, and the matter was placed in pending status given the Department's caseload. On July 14, 2017, we were notified that an investigator has now been assigned and requested further information. Claims are being contested and liability exposure is minimal. The School's insurer is covering the School's attorney's fees in defending this matter.

Complaints filed with the Office for Civil Rights. By letter dated May 26, 2017, OCR informed the School that parents brought a complaint with the OCR, alleging the School discriminated against her daughter, a former student, on the basis of sex and race when during the 2016-17 school year, students subjected her to a hostile environment and the School was aware of the hostile environment failed to respond appropriately. The School's response is due July 28, 2017. No determination that an unfavorable outcome is either probable or remote can be made at this time. The School's insurer does not cover attorney's fees in defending OCR complaints.

By letter dated June 26, 2017, OCR informed the School that parents brought a complaint with the OCR, alleging the School discriminated against her son on the basis of disability when the School failed to identify, locate, and evaluate the student for special education and related services during the 2016-17 school year and failed to implement the testing room provision of the student's May 2017 section 504 plan. The School's response is due July 28, 2017. No determination that an unfavorable outcome is either probable or remote can be made at this time. The School's insurer does not cover attorney's fees in defending OCR complaints.



Required Supplementary Information  
June 30, 2015

# Williston Public School District #1

Williston Public School District #1  
 Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions  
 June 30, 2015

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

Employer's proportion of the net pension liability	2.393571%
Employer's proportionate share of the net pension liability	\$ 25,080,381
Employer's covered payroll	13,883,985
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	180.64%
Plan fiduciary net position as a percentage of the total pension liability	99.00%

\* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10 year trend is compiled, the District will present information for those years for which information is available. Data presented is as of the measurement date of June 30, 2014.

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

Statutorily required contribution	\$ 1,424,497
Contributions in relation to the statutorily required contribution	(1,424,497)
Contribution deficiency (excess)	-
District's covered-employee payroll	13,883,985
Contributions as a percentage of covered employee payroll	10.26%

\* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10 year trend is compiled, the District will present information for those years for which information is available. Data presented is as of June 30, 2015.

Williston Public School District #1  
Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions  
June 30, 2015

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

Employer's proportion of the net pension liability	0.413951%
Employer's proportionate share of the net pension liability	\$ 2,627,435
Employer's covered payroll	3,487,039
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	75.35%
Plan fiduciary net position as a percentage of the total pension liability	93.00%

\* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10 year trend is compiled, the District will present information for those years for which information is available. Data presented is as of the measurement date of June 30, 2014.

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

Statutorily required contribution	\$ 248,277
Contributions in relation to the statutorily required contribution	(248,277)
Contribution deficiency (excess)	-
District's covered-employee payroll	2,487,039
Contributions as a percentage of covered employee payroll	9.98%

\* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10 year trend is compiled, the District will present information for those years for which information is available. Data presented is as of June 30, 2015.

Williston Public School District #1  
 Budgetary Comparison Schedule – General Fund  
 Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>				
State sources	\$ 23,167,296	\$ 23,167,296	\$ 23,752,284	\$ 584,988
Local sources	8,346,992	8,346,992	8,556,483	209,491
Federal sources	1,697,151	1,697,151	1,733,483	36,332
County sources	3,125,600	3,125,600	3,333,333	207,733
Other sources	-	-	6,568	6,568
<b>Total revenues</b>	<u>36,337,039</u>	<u>36,337,039</u>	<u>37,382,151</u>	<u>1,045,112</u>
<b>Expenditures</b>				
Regular instruction	22,261,258	22,261,258	22,817,607	(556,349)
Federal programs	1,680,644	1,680,644	1,603,738	76,906
Special education	2,837,100	2,837,100	2,818,701	18,399
Vocational education	753,752	753,752	723,067	30,685
District wide services	2,564,237	2,564,237	1,780,551	783,686
Administration	1,186,081	1,186,081	1,561,854	(375,773)
Operations and maintenance	3,329,093	3,359,093	2,424,812	934,281
Transportation	452,196	452,196	469,116	(16,920)
Student activities	792,789	792,789	622,538	170,251
Community services	4,500	4,500	122,780	(118,280)
Capital outlay	448,868	448,868	926,459	(477,591)
Debt Service	-	-	48,821	(48,821)
<b>Total expenditures</b>	<u>36,310,518</u>	<u>36,340,518</u>	<u>35,920,044</u>	<u>420,474</u>
<b>Excess of Revenues over Expenditures</b>	<u>26,521</u>	<u>(3,479)</u>	<u>1,462,107</u>	<u>1,465,586</u>
<b>Net Change in Fund Balances</b>	<u>26,521</u>	<u>(3,479)</u>	<u>1,462,107</u>	<u>1,465,586</u>
<b>Fund Balance, Beginning of Year</b>	<u>3,250,065</u>	<u>3,250,065</u>	<u>3,250,065</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ 3,276,586</u>	<u>\$ 3,246,586</u>	<u>\$ 4,712,172</u>	<u>\$ 1,465,586</u>



## **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:

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



Federal Awards  
June 30, 2015

# Williston Public School District #1

Williston Public School District #1

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June 30, 2015

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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***

Board of Education  
Williston Public School District #1  
Williston, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Williston Public School District #1 as of and for the year ended June 30, 2015, 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 August 16, 2017. Our report included a qualified opinion on the statement of net position.

**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 Williston Public School District #1’s internal control.

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

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 listed as 2015-A, 2015-B, 2015-C, 2015-D, 2015-E, 2015-F, 2015-G, 2015-H, 2015-I, and 2015-J to be material weaknesses.

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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Williston Public School District #1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-J, 2015-002, 2015-004, and 2015-005.

### **Williston Public School District #1's Responses to Findings**

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

### **Purpose of this Report**

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



Bismarck, North Dakota  
August 16, 2017



**Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

Board of Education  
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 Circular A-133 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, 2015. 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 the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on the 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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.

**Basis for Qualified Opinion on CFDA 84.010 Title I, CFDA 84.367 Title IIA, & CFDA 84.287 21<sup>st</sup> Century**

As described in the accompanying schedule of findings and questioned costs, Williston Public School District #1 did not comply with requirements regarding CFDA #84.010 Title I as described in finding number 2015-002 for allowable costs & activities, CFDA #84.287 21<sup>st</sup> Century as described in finding number 2015-003 for allowable costs & activities and finding number 2015-004 for program income, and CFDA #84.367 Title IIA as described in finding number 2015-005 for allowable costs & activities. Compliance with such requirements is necessary, in our opinion, for Williston Public School District #1 to comply with the requirements applicable to that program.

**Qualified Opinion on CFDA 84.010 Title I, CFDA 84.367 Title IIA, & CFDA 84.287 21<sup>st</sup> Century**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Williston Public School District #1 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Title I, Title IIA, and 21<sup>st</sup> Century for the year ended June 30, 2015.

**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 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 OMB Circular A-133, 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 the Williston Public School District #1's internal control over compliance.

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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*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 compliance requirement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-002, 2015-003, 2015-004, and 2015-005 to be a material weaknesses.

*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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-001 to be significant deficiencies.

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

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

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, 2015, 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 August 16, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 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 financial statements or to the 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 financial statements as a whole.



Bismarck, North Dakota  
August 16, 2017



Williston Public School District #1  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures	Amounts Passed- Through to Subrecipients
U.S. Department of Agriculture				
<u>Passed through the State Department of Public Instruction</u>				
National School Breakfast Program	10.553	1006	\$ 72,008	\$ -
National School Lunch Program	10.555	1006	444,989	-
Child Nutrition Cluster			<u>516,997</u>	<u>-</u>
Fresh Fruits and Vegetables Program	10.582	None	<u>86,403</u>	<u>-</u>
Total Department of Agriculture			<u>603,400</u>	<u>-</u>
U.S. Department of Education				
<u>Direct Assistance</u>				
Indian Education - Grants to Local Education Associations	84.060A	None	24,099	-
<u>Passed through the State Department of Public Instruction</u>				
Title I - Grants to Local Education Agencies	84.010	1017 & 1019	612,901	-
School Improvement Grants	84.010	1003A	30,000	-
Title I Total			<u>642,901</u>	<u>-</u>
Twenty-First Century Community Learning Centers	84.287C	1066	592,610	267,371
Education for Homeless Children and Youth	84.196	None	10,242	-
ESEA - Improving Teacher Quality State Grants	84.367A	1046	349,486	-
<u>Passed through the State Board of Career and Technical Education</u>				
Vocational Education - Basic Grants to States	84.048	None	<u>108,144</u>	<u>-</u>
Total Department of Education			<u>1,727,482</u>	<u>267,371</u>
Total Expenditures of Federal Awards			<u>\$ 2,330,882</u>	<u>\$ 267,371</u>

See Notes to Schedule of Expenditures of Federal Awards

**Note A- Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Williston Public School District #1, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Williston Public School District #1 received federal awards both directly from federal agencies and indirectly through pass-through entities.

**Note B – Significant Accounting Policies**

Governmental fund types account for Williston Public School District #1's federal grant activity. Therefore, expenditures in the schedule of expenditures of federal awards are recognized on the modified accrual basis – when they become a demand on current available financial resources. Williston Public School District #1's summary of significant accounting policies is presented in Note 1 in their basic financial statements.

**Note C - Agency or Pass-Through Number**

The programs without agency or pass-through numbers are programs where the federal funds are direct therefore agency and pass-through numbers are not required for all programs.

**Note D – Food Donation**

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2015, the District had food commodities totaling \$49,006 in inventory.

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditors' report issued	Qualified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	No
Noncompliance material to financial statements noted?	Yes

**Federal Awards**

Internal control over major programs:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	
Title I Grants to Local Educational Agencies (84.010)	Qualified
Twenty-First Century Community Learning Centers (84.287)	Qualified
Improving Teacher Quality State Grants (84.367)	Qualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	Yes

**Identification of major programs:**

<u>Name of Federal Program</u>	<u>CFDA number</u>
Title I Grants to Local Educational Agencies	84.010
Twenty-First Century Community Learning Centers	84.287
Improving Teacher Quality State Grants	84.367
Dollar threshold used to distinguish between Type A and Type B programs	\$ 300,000
Auditee qualified as low-risk auditee?	No

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**Section II – Financial Statement Findings**

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**2015-A Addressing Previously Reported Control Deficiencies**  
**Material Weakness**

Criteria – A good system of internal accounting control contemplates addressing previously reported internal control deficiencies from prior year audits.

Condition – We found that findings identified and communicated to management in the prior year have not been addressed in the current year.

Cause – The District has a lack of internal controls over financial reporting.

Effect – Not addressing previously communicated control deficiencies could result in a misstatement to the presentation of the financial statements and schedule of federal expenditures.

Recommendation – We recommend that the Responsible Officials of the District form responses and act on these responses in regards to the control deficiencies we have communicated. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials – The District is concerned with all findings and continues to work to improve our internal controls.

**2015-B Preparation of Financial Statements**  
**Material Weakness**

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

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

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

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

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

Views of Responsible Officials – The District is too small to staff as to GASB standards. District administration will report this to the Board of Education for review. Ms. Germundson, business manager will prepare the financial statements as in the past.

**2015-C Material Audit Adjustments**  
**Material Weakness**

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

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

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

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

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

Views of Responsible Officials - Ms. Germundson, will provide stability to the general ledger accounts and Williston Public School is continuing to move to correct internal controls.

**2015-D Segregation of Duties**  
**Material Weakness**

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

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

- Lack of segregation of duties over payroll functions. One employee has access to all phases of the payroll process. That person can enter information, change wage rates, including their own, run the payroll report, and sign off on it.
- Lack of segregation of duties over cash disbursement process. One employee can enter invoices into the accounting system, run the check run, and complete the bank reconciliations.

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

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

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

Views of Responsible Officials – Williston Public Schools has reassigned duties throughout the business department to provide more stability. The administration and business manager will continue to develop controls through cross training of duties and responsibilities.

**2015-E Supporting Documentation for Manual Journal Entries**  
**Material Weakness**

Criteria – A good system of internal controls includes maintaining supporting documentation and approval of all journal entries to ensure that financial statements are materially correct.

Condition – We identified certain manual journal entries posted to the general ledger throughout the year where supporting documentation was not maintained and proper approval was not documented.

Cause – The District has not developed a policy to ensure that supporting documentation and proper approval relating to journal entries are retained on record.

Effect – Inadequate internal controls over supporting documentation for manual journal entries affect the District’s ability to detect misstatements or potential management override of controls to the extent that could be material in relation to the financial statements.

Recommendations – We recommend the District develop a policy to ensure that anytime a journal entry is posted to the general ledger that proper approval was obtained and documented and that supporting documentation for the amount and business purpose of the entry is retained by the District.

Views of Responsible Officials – During this fiscal year controls over the journal entry process were continuing to be established and put in place to fix this process.

**2015-F Reconciliation of Cash**  
**Material Weakness**

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

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.

Cause - There were certain errors noted in some cash transactions in the general ledger. It was also noted that there were some errors in the bank reconciliations causing the bank reconciliations from the bank balances to differ from those recorded in the general ledger cash accounts, which included outstanding items older than one year.

Effect - Inadequate internal controls over recording of cash transactions affect the District’s ability to detect misstatements in amounts that could be material in relation to the financial statements.

Recommendation – We recommend that someone should be reviewing the bank reconciliation on a weekly basis or monthly basis that does not complete the reconciliations, to ensure all items are being properly recorded and match what is recorded on the District’s financial statements. Since the District’s balance still has an immaterial difference at year-end we recommend the District continue to investigate the variance and correct any discrepancy.

Views of Responsible Officials – Subsequent to the period under audit the District hired a staff accountant whose main responsibility will be bank reconciliations.

**2015-G Cash Disbursements**  
**Material Weakness**

Criteria – A good system of internal accounting control contemplates proper tracking and reconciling of cash disbursements

Condition – We identified certain checks written throughout the year that where supporting documentation was not maintained and proper approval was not documented.

Cause - There were certain errors noted in some cash transactions in the general ledger. Through review of general ledger detail, we identified gaps in check sequence and multiple checks that were written with the same check number in the same year to different payees and for different amounts.

Effect - Inadequate internal controls over recording of cash transactions affect the District’s ability to detect misstatements in amounts that could be material in relation to the financial statements.

Recommendation - We recommend that someone should be reviewing the check register on a weekly or monthly basis that does not write the checks, to ensure all items are being properly recorded.

Views of Responsible Officials – Business Manager reviews all checks and sign for authorization to pay.

**2015-H Identifying and Recording Capital Assets**  
**Material Weakness**

Criteria – A good system of internal accounting control contemplates proper identification and recording of capital assets including construction in progress.

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

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

Effect - Inadequate internal controls over identifying and recording of capital asset transactions and construction in progress affect the District’s ability to detect misstatements in amounts that could be material in relation to the financial statements.

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

Views of Responsible Officials – The District has not had a significant construction project for several years. Construction in progress reporting will be identified and capitalized in future years.

**2015-I Monitoring Cash from Funds Separately**  
**Material Weakness**

Criteria – A good system of internal accounting control contemplates proper monitoring and recording of cash transactions related to different funds separately.

Condition – We identified that agency fund cash is not being monitored and recorded separately. Agency fund cash is grouped with cash from other funds.

Cause - The District has a lack of internal controls over the separate monitoring and recording of agency fund cash.

Effect - Inadequate internal controls over monitoring and recording agency fund cash affect the District's ability to detect misstatements in amounts that could be material in relation to the financial statements.

Recommendation - We recommend that agency fund cash is monitored and recorded separately from cash that is currently grouped with other funds.

Views of Responsible Officials – We have opened several new bank accounts and are monitoring each funds cash and reconciling it to the new accounts' balances.

**2015-J Budgetary Process**  
**Material Weakness and Noncompliance**

Criteria - A good system of internal accounting control contemplates the preparation and Board approval of annual fiscal year budgets for revenues and expenditures to be able to properly track the District's spending and receiving of funds throughout the year.

Condition - The District did not prepare Board approved annual budgets for the food service fund.

Cause - The District has never prepared Board approved annual budgets for any fund other than the General fund.

Effect - The control deficiency could result in the District spending more funds on areas than they have appropriate funds for or than they normally spend on. It also doesn't allow the District to compare revenues and expenditures to what was originally expected to be received or spent from year to year.

Recommendation - We recommend that the District begin preparing budgets on an annual basis for all other funds and obtain Board approval as soon as possible. This way upper management is on the same page as the business department and it allows the District to track and see how they are doing in comparison to what was expected.

Views of Responsible Officials – We are currently working with the Food Service Director to set up budgets.



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**Section III – Federal Award Findings and Questioned Costs**

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**2015-001 Department of Education Passed through North Dakota Department of Public Instruction  
CFDA #84.010, 14-15 Award Year  
Title I**

**Eligibility – Improper preparation of Scorecards  
Significant Deficiency in Internal Control over Compliance**

*Condition:* Scorecards did not include proper signoff by the preparer.

*Criteria:* A school operating a targeted assistance program must use federal awards only for programs that are designed to meet the needs of children identified by the school as failing or at risk of failing. The school's internal control procedures require the preparer of the eligibility scorecard to sign off upon completion.

*Cause:* The District has internal controls designed to have proper signoff on scorecards, but the District is not implementing the internal controls.

*Effect:* Lack of proper controls to proper determination of eligible students for targeted assistance programs could lead to unallowable costs and activities being paid with federal funds due to receiving money for ineligible students for the targeted assistance program.

*Context:* A nonstatistical sample of 3 participants out of 5 participants were selected for eligibility testing. All 3 participants selected for testing did not have proper internal control procedures relating to the signing off of scorecards.

*Questioned costs:* None

*Recommendation:* We recommend the District ensure internal controls designed for the preparation of eligibility scorecards are properly implemented to ensure the students are eligible for the targeted assistance program.

*Views of Responsible Officials:* Management agrees with the finding.

**2015-002 Department of Education passed through the North Dakota Department of Public Instruction  
CFDA#84.010, 14-15 Award Year  
Title I**

**Allowable Costs & Activities – Improper time & effort certifications  
Material Weakness in Internal Control over Compliance and Material Non-Compliance**

*Condition:* We noted the following conditions during the testing of federal program expenditures:

- Monthly time and effort certifications were not signed by an employee.
- Semi-annual time and effort certifications were not completed for an employee.
- Expenditures charged to the program did not have proper approval.

*Criteria:* Federal awards can only be expended for allowable activities and costs, and the District must ensure that the costs of goods and services charged to Federal awards are allowable, which includes proper approval of expenditures and proper time and effort certifications.

*Cause:* The District has internal controls designed to have proper approval of federal expenditures and proper time and effort certifications, but the District is not implementing the internal controls for all federal expenditures.

*Effect:* Lack of proper controls to ensure costs of goods and services purchased with Federal awards are allowable costs and activities could lead to unallowable costs and activities being paid with federal funds. Inadequate documentation of employee time and effort could result in unallowable costs being charged to the program.

*Context:* The School District did not have adequate supporting documentation for 10 of 60 expenditures selected for testing.

*Questioned costs:* There were 10 out of 60 expenditures selected for testing that were considered unallowable costs. The expenditures totaled \$5,710.53.

*Recommendation:* We recommend the School District ensure internal controls designed for the approval of federal expenditures and the certification of time and effort are properly implemented to ensure all costs of goods and services purchased with Federal awards are allowable.

Views of Responsible Officials: Management agrees with the finding.

**2015-003 Department of Education passed through the North Dakota Department of Public Instruction  
CFDA#84.287C, 14-15 Award Year  
Twenty First Century Community Learning Centers**

**Allowable Costs & Activities – Improper approval and lack of documentation for expenditures  
Material Weakness in Internal Control over Compliance**

<i>Criteria</i>	Federal awards can only be expended for allowable activities and the School District must ensure that the costs of goods and services charged to federal programs are allowable.
<i>Context</i>	The School District had incorrect salary expense costs relating to the program for 12 of 31 expenditures selected for testing.
<i>Questioned costs</i>	12 of 31 expenditures selected for testing were considered unallowable costs. Unallowable costs totaled \$585.19 out of \$62,191.80 total expenditures tested.
<i>Condition</i>	The School District incorrectly coded salaries for a teacher that was not part of the Twenty First Century program to the program. The School District also underpaid wages relating to overtime pay. We also noted that three individuals did not have properly approved contracts.
<i>Cause</i>	The School District did not have proper controls in place to catch errors relating to Allowable Costs and Activities for the Twenty First Century Program.
<i>Effect</i>	Lack of proper controls to ensure expenditures of Federal awards are allowable costs and activities could lead to unallowable costs and activities being paid with federal funds. Noncompliance with the federal program requirements could also result in the federal funding agencies requiring the return of previously awarded grant funds if they determine the funds were used for unallowable activities.
<i>Recommendation</i>	We recommend the School District ensure that all funds expended under the federal programs are for appropriate purposes and that controls are in place to ensure all expenditures of federal funds are allowable.

Views of Responsible Officials: Management agrees with the finding.

**2015-004 Department of Education passed through the North Dakota Department of Public Instruction  
CFDA#84.287C, 14-15 Award Year  
Twenty First Century Community Learning Centers**

**Program Income – Lack of documentation for program income  
Material Weakness in Internal Control over Compliance and Material Non-Compliance**

<i>Criteria</i>	Entities receiving federal funds should implement internal controls for all of the applicable compliance requirements to ensure processes are designed to provide reasonable assurance that the entity will be in compliance with requirements. Proper internal controls include having proper support for fees being paid.
<i>Context</i>	The School District did not have support to tie individual billings to a deposit slip for 60 of 60 program charges. The School District also did not have proper support for the fees that were selected for testing for 30 of 60 charges.
<i>Questioned Costs</i>	The School District did not have support to tie individual billings to a deposit slip for 60 of 60 program charges. The School District also did not have proper support for the fees that were selected for testing for 30 of 60 charges. These errors resulted in \$17,778 of questioned costs.
<i>Condition</i>	The School District did not have support to tie individual billings to a deposit slip for 60 of 60 program charges. The School District also did not have proper support for the fees that were selected for testing for 30 of 60 charges.
<i>Cause</i>	The School District did not have support to tie individual billings to deposit slips and did not have proper support for the fees charged to students.
<i>Effect</i>	Lack of proper controls over program income could result in improper Twenty First Century program income.
<i>Recommendation</i>	We recommend the School District design and implement internal controls to ensure all program fees have proper support for fees being paid.

Views of Responsible Officials: Management agrees with the finding.

**2015-005 Department of Education passed through the North Dakota Department of Public Instruction  
CFDA#84.367, 14-15 Award Year  
Title IIA Improving Teacher Quality**

**Allowable Costs & Activities – Improper approval and lack of documentation for expenditures  
Material Weakness in Internal Control over Compliance and Material Non- Compliance**

*Condition:* We noted the following conditions during the testing of federal program expenditures:

- The District expended funds for costs that are not considered necessary for the performance and administration of the federal program.
- Expenditures charged to the program did not have proper approval, including expenditures that had no approval, expenditures that were approved by an unauthorized individual, and expenditures that were approved by the same individual who completed the purchase.
- Expenditures charged to the program did not have documentation to support the expenditure.
- Payroll expenditures were charged to the program in excess of the amount of time spent on the program.

*Criteria:* Federal awards can only be expended for allowable activities and costs, and the District must ensure that the costs of goods and services charged to Federal awards are allowable, which includes proper approval of expenditures.

*Cause:* The District has internal controls designed to have proper approval of federal expenditures to ensure all expenditures are for an allowable purpose, but the District is not consistently implementing the internal controls for all federal expenditures.

*Effect:* Lack of proper controls to ensure costs of goods and services purchased with Federal awards are allowable costs and activities could lead to unallowable costs and activities being paid with federal funds. Inadequate documentation of employee time and effort could result in unallowable costs being charged to the program.

*Context:* The School District did not have adequate supporting documentation for 12 of 60 expenditures selected for testing.

*Questioned costs:* There were 12 out of 60 expenditures selected for testing that were considered unallowable costs. Unallowable costs totaled \$14,936.41 out of \$89,154.42 expenditures tested.

*Recommendation:* We recommend the District ensure internal controls designed for the approval of federal expenditures are properly implemented to ensure all costs of goods and services purchased with Federal awards are allowable.

Views of Responsible Officials: Management agrees with the finding.

**2014-001 Department of Education Passed through North Dakota Department of Public Instruction  
CFDA #84.010, 13-14 Award Year  
Title I**

**Allowable Costs & Activities – Improper Time & Effort Documentation  
Significant Deficiency in Internal Control**

Initial Fiscal Year Finding Occurred: 2013

Finding Summary: Criteria: The District completed monthly certifications of those employees allocating their time; however, those monthly certifications were not being signed. OMB Circular A-87 section 8(h)(5)(d) requires that individuals allocating their time between Title I and other programs have signed monthly certifications of their time documented.

Status: This will be a repeat finding shown as 2015-001. The District has not implemented the corrective action plan that was described in the prior year audit report. This item has been discussed with management again in the current year to stress the importance of implementing this corrective action.